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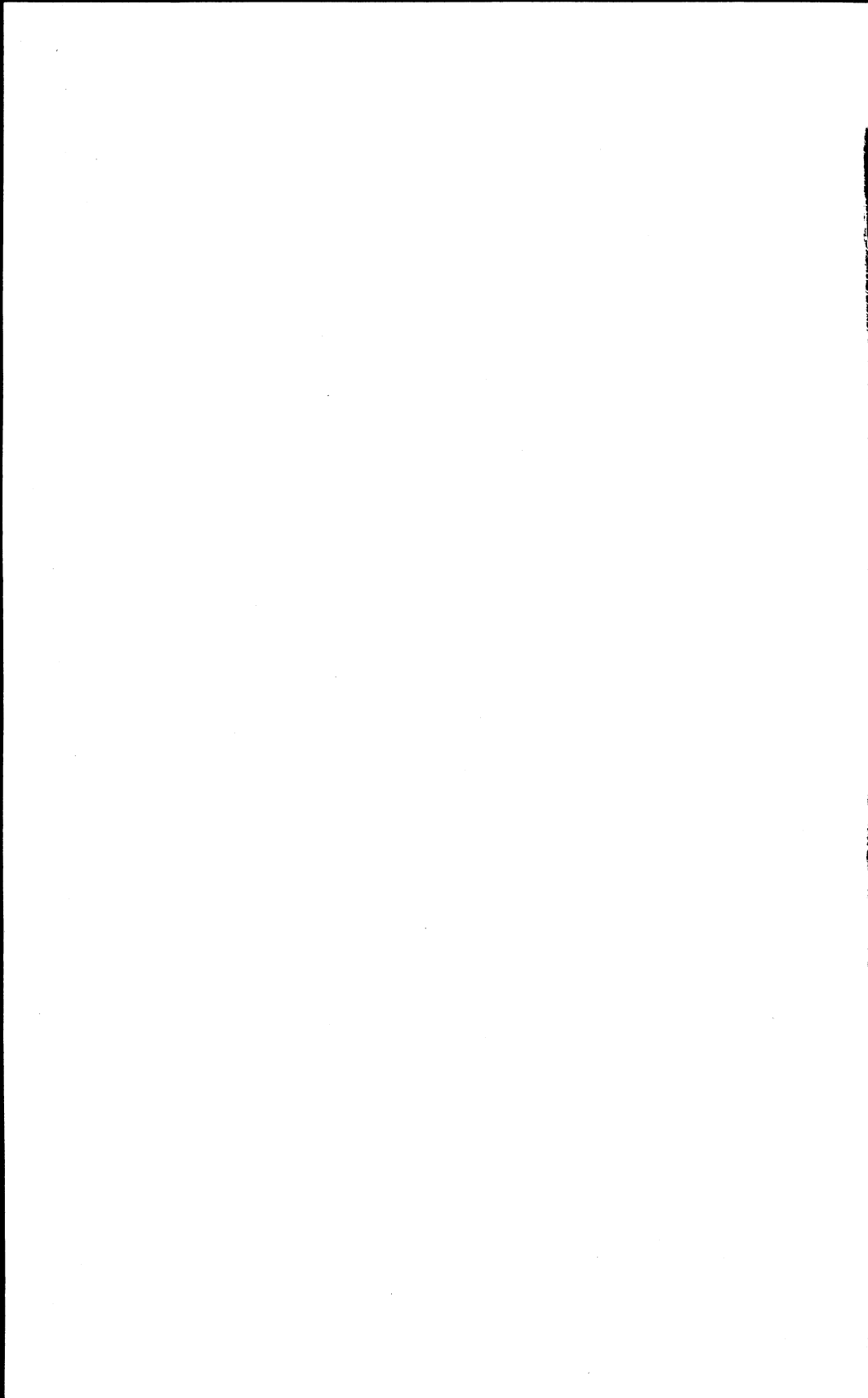


1940

Volume IV

THE FAR EAST

Department of State
Washington





Foreign Relations
of the
United States
Diplomatic Papers

1940

(In Five Volumes)

Volume IV
The Far East



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CONTENTS

Page

(NOTE: For previously published correspondence on relations between the United States and Japan in 1940, see *Foreign Relations, Japan, 1931-1941, Volumes I and II*. Documents printed in those volumes have not been reprinted in the 1940 annual volumes.)

GENERAL:

Relations of Japan with the Axis Powers and with the Soviet Union . . .	1
Southward Advance of Japanese expansionist movement: the Netherlands East Indies; French Indochina; British Hong Kong and Burma; Thailand	1
Undeclared war between Japan and China:	
✱ Political and military developments	251
Japanese interference with American treaty rights and with equality of commercial opportunity in China	484
✚ Consideration of sanctions against Japanese policies of aggression and violation of treaty rights; enforcement of export-control system	565
✕ Termination of the 1911 treaty of commerce and navigation between the United States and Japan; discussion of situation in treatyless period	625
✕ Efforts by the United States to provide financial assistance and war material for China	636
✕ Efforts by the United States and other powers to protect Chinese customs and other revenues, pledged as security for loans, from Japanese encroachment	715
American interest in Japanese demands affecting the integrity of the International Settlement at Shanghai	727
✕ American interest in Japanese demands affecting the integrity of the International Settlement of Kulangsu at Amoy	833
American interest in situation created by Japanese demands on the British Concession at Tientsin	840
Measures taken by the United States for the protection of American lives and property in China resulting from hostilities between Japan and China	859
✕ Attitude of the Department of State regarding activities of the American Radio Service at Tientsin	913
✱ Repatriation of American citizens from the Far East	930

CHINA	956
-----------------	-----

JAPAN:

✕ Political developments in Japan	957
✕ Notice by Japan of abrogation of the 1911 four-power convention on fur seals in the North Pacific; Japanese proposals for new agreement	984
✕ Renewal of agreement between the United States and Japan regarding export of Japanese textiles to the Philippines	992

	Page
JAPAN—Continued	
Trial by Japanese of American correspondent for reports derogatory to Japanese army; refusal to allow American Embassy to communicate with prisoner regarding case	995
THAILAND	1003
INDEX.	1007

RELATIONS OF JAPAN WITH THE AXIS POWERS AND WITH THE SOVIET UNION

(See volume I)

SOUTHWARD ADVANCE OF JAPANESE EXPANSIONIST MOVEMENT:¹ THE NETHERLANDS EAST INDIES; FRENCH INDOCHINA; BRITISH HONG KONG AND BURMA; THAILAND

756D.94/38

*Memorandum by the Consul General at Batavia (Dickover) of a
Conversation With the Japanese Consul General (Saito)*²

BATAVIA, February 2, 1940.

Mr. Saito remarked that the Dutch in the Netherlands Indies were unduly suspicious of the Japanese; there was no need to be so suspicious, as the Japanese had no territorial designs on the Netherlands Indies.

I pointed out that the rapid expansion of the Japanese Empire in recent years, coupled with the "southward advance" policy advocated by the Japanese Navy, quite naturally caused a certain amount of nervousness in countries in this part of the world.

Mr. Saito said that he had been informed that the Emperor himself had told General Koiso, the Minister of Overseas Affairs in the last two Cabinets, that he would not permit any aggression by the Japanese in the Netherlands Indies. Consequently Mr. Ishii, the Japanese Minister at The Hague has informed the Netherlands Minister for Foreign Affairs³ that he believes that the Japanese Government is prepared to give "any assurances" desired in regard to the security of the Netherlands Indies. Mr. Saito said that the proposal had not been made as coming from the Japanese Government (although Ishii had been instructed to make it) but as being an idea of Mr. Ishii's, who, as an old friend of and coworker with Mr. Arita,⁴ could probably influence the latter to give any assurances

¹ Continued from *Foreign Relations*, 1939, vol. III, pp. 103-123; see also *Foreign Relations*, Japan, 1931-1941, vol. II, pp. 281 ff.

² Copy transmitted to the Department by the Consul General in his despatch No. 474, February 7; received March 20.

³ E. N. van Kleffens.

⁴ Japanese Minister for Foreign Affairs.

which might be desired. Mr. Saito said that the same factors apply to the Philippine Islands—the Japanese Government has absolutely no territorial ambitions there and is prepared to give “any assurances” which we might desire.

I asked Mr. Saito what the Japanese expected in return for such assurances.

Mr. Saito said “Nothing but cooperation.”

I referred to the speech of Mr. Arita, the Japanese Minister for Foreign Affairs, before the House of Peers on February 1, 1940, in which he stated (as reported by Domei): “With regard to the South Seas regions the Japanese Government are desirous of maintaining with them relationships of co-existence and co-prosperity through economic cooperation and collaboration in the development of natural resources.” I said that this desire of the Japanese for “economic cooperation” and for “collaboration in the development of natural resources” also tended to cause some misgiving among the peoples of the Indies and the Philippines, as they feared that such cooperation and collaboration might draw them entirely within the Japanese economic orbit and cause them to become the “economic slaves” of Japan.

Mr. Saito said that Japan did not want to make slaves of any people. It only wanted “free access to raw materials”, in order to be in a position to feed its growing industries and to assure itself of essential raw materials in time of war. For example, said Mr. Saito, if the United States imposed an embargo on the exportation of war materials, including petroleum, to Japan, that country would be confronted with the necessity of obtaining its petroleum supplies from the Netherlands Indies. But in the Indies the oil is controlled by the Standard Oil and Shell interests. The local officials are not authorized to make decisions—they must refer all important questions to New York and London, and it is unlikely that the officials there would permit the sale of Netherlands Indian oil to Japan while cutting off supplies from other sources. Consequently the Japanese want their own oil concession in the Netherlands Indies, so that they can control their own supplies of crude petroleum, but every time they ask the Dutch for a 5-A lease, the answer is “No”. The Dutch should be more friendly. Japan has never gone back on a friend. But the Dutch are not friendly to us, said Mr. Saito, and an American embargo on the exportation of war materials to Japan is very apt to cause some reaction down here.⁵

Mr. Saito proceeded to expound the theory that nations such as Japan are justified in expanding, because this is a dynamic, not a static world, and it is therefore impossible long to maintain the *status quo*,

⁵ See also pp. 565 ff.

as the "have" nations wish to do. "When the small boy grows up, he cannot wear the same clothes. He has to have larger ones."

I pointed out that there were other ways than the use of armed force to increase a country's territory and to obtain economic opportunities. For example, I said, most of the American expansion in the past has been by purchase, not by armed force, and this process is still going on, as witness the purchase of the Virgin Islands.⁶

Mr. Saito said that he too was an advocate of expansion by peaceful means—in fact, before the Japanese invasion of Manchuria he was in the Foreign Office in Tokyo and had then urged the purchase by Japan of South Manchuria from the corrupt Manchurian war-lords. The Army would have none of the proposal, however. If Japan had purchased South Manchuria legally, it would have cost much less than the subjugation by force and the matter would have been settled for all time; which it is not under the present system. Japan can expect more trouble in Manchuria in the future.

However, said Mr. Saito, the Japanese Army is losing much of its influence in Japan. For one thing, the people are getting tired of the Army's unprofitable adventures on the Asiatic continent. For another, the Army is now more under the control of the Emperor than it formerly was. General Hata, the War Minister, was for some time aide-de-camp to the Emperor and is very close to him. Through General Hata the Emperor can exercise greater control over the Army.

E[RLE] R. D[ICKOVER]

794.00/168 : Telegram

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

TOKYO, February 10, 1940—6 p. m.

[Received February 11—7:20 a. m.]

105. Interpellating in Diet Committee February 9th Miyake of Shakai Taishuto urged Japanese economic expansion [in] South Seas, India, Netherland Indies, Philippines; advised nonaggression treaties with powers concerned to demonstrate absence aggressive intentions. Foreign Minister Arita replied economic expansion those regions essential and Japan would welcome such treaties but other countries probably doubt Japan's intentions and realization difficult. Press regards statement significant in view possibility embargo American trade.

⁶ For convention between the United States and Denmark for the cession of the Danish West Indies (the Virgin Islands), signed August 4, 1916, see *Foreign Relations*, 1917, p. 694.

Miyake proposed reinforce political ties Germany, Italy for rebuilding new world order and for assistance readjusting relations Soviet Union, persuading latter cease aid China. Arita's reply general, interpreted by press as indication disapproval closer cooperation Germany.

Arita admitted Nine Power Treaty ⁷ unsuited present situation but professed uncertainty whether abolition would hasten or hinder establishment new order.

GREW

756.9412/6 : Telegram

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

TOKYO, February 15, 1940—11 a. m.

[Received February 15—10 a. m.]

120. The following points emerged in a confidential talk yesterday with my Netherlands colleague.⁸

1. Notice of the abrogation of the Dutch-Japanese Treaty of Arbitration and Conciliation ⁹ was communicated to the Netherlands Government by the Japanese Minister at The Hague on February 10. The Netherlands Minister in Tokyo was not informed of this step either before or after the event.

2. General Pabst realizes that notice of abrogation was eventually to be expected owing to Japan's withdrawal from the League of Nations and the World Court, but the question presents itself as to why this particular moment was chosen for the step. In that connection the Minister takes into consideration the following circumstances which separately might be regarded as trivia but together appear to him to be significant:

3. Last November a Secretary of the Japanese Legation at The Hague, Hagiwara, told a Dutch newspaper correspondent that Japan intends to demand in the Dutch East Indies the same rights as Soviet Russia has recently secured in the Baltic States, and he is reported to have added that the Netherlands, lacking adequate force, could do nothing about it. The correspondent reported the conversation to the Dutch Minister for Foreign Affairs who summoned the Japanese Minister. The latter is said to have disowned his Secretary's remarks and the latter was or will be transferred.

⁷ Signed at Washington, February 6, 1922; *Foreign Relations*, 1922, vol. 1, p. 276.

⁸ Gen. J. C. Pabst, Netherlands Minister in Japan.

⁹ Signed at The Hague, April 19, 1933; *League of Nations Treaty Series*, vol. CLXIII, p. 351.

4. Later the Japanese Vice Minister for Foreign Affairs ¹⁰ remarked to my Dutch colleague that Japan aims at a close economic *rapprochement* between Holland in Europe and Holland in the East Indies on the one hand and Japan, China and Manchukuo on the other hand. Subsequently Tani again summoned the Minister and with some embarrassment requested him to regard Tani's former observation as expressing merely his personal view and not the view of the Japanese Government. From other indications General Pabst is aware that in the first instance Tani was expressing the views of the younger extremist officers in the Foreign Office. Pabst attaches importance to this incident.

5. Prominent Japanese businessmen have recently told the Netherlands Minister that Japan will expect (a) free access to raw materials in the Dutch East Indies; (b) adequate credits for purchases; and (c) a participatory interest in any future industrial undertakings in the islands. The statements of these men were phrased in polite answer to circumlocutory language but their meaning was perfectly clear. The Minister observed to me that the point concerning credits was obviously based on Japan's lack of gold and foreign exchange and that with equal obviousness the Japanese are looking ahead to the situation when an American embargo may be declared and enforced.

6. In careful consideration of the situation as adumbrated by the foregoing indications, the Minister is inclined to regard the notice of abrogation of the treaty as possibly a gesture of thinly veiled intimidation. He added significantly that the gesture will fail to intimidate.

7. The attitude of the Foreign Office as informally explained to us yesterday presents an interesting contrast to the foregoing. Surprise was expressed that there should be speculation with regard to the reasons for the action of the Japanese Government in denouncing the treaty, as the Japanese Government had taken the precaution to record at the time of signature its intention to seek revision of those provisions relating to Permanent Court of International Justice when Japan's withdrawal from the League of Nations became definitive. With regard to speculation over the timing of the notice of denunciation, the Foreign Office pointed out that the treaty, which came into force on August 12, 1935, is effective for a period of 5 years and "if not denounced 6 months before expiry of the said period it should be deemed to be tacitly renewed for further successive periods of 5 years". It added that the Japanese Government desires as soon as possible to bring its obligation under the treaty into line with its withdrawal from the League of Nations and that the consequence of failing at this

¹⁰ Masayuki Tani.

time to give notice of denunciation would have been a further delay of 5 years in making the desired change.

GREW

760D.61/1184

*Memorandum by the Assistant Chief of the Division
of European Affairs (Henderson)*¹¹

[WASHINGTON,] March 2, 1940.

Mr. Molotov's ¹² remarks to Mr. Steinhardt ¹³ relative to Japan ¹⁴ are interesting in that it makes it to appear that after one of its periodic analyses of the world situation, Moscow has come to the conclusion that the time is ripe for it again to resort to the game of endeavoring to play off the United States and Japan against each other.

It is fortunate that Mr. Steinhardt is not so gullible as to be deceived by such tactics. If he had in any way indicated that he agreed with Mr. Molotov that we might some day find the American and Soviet navies collaborating against "our common foe", it is not at all impossible that Soviet officials would have intimated to the Japanese that the United States has made approaches looking forward towards an American-Soviet anti-Japanese front.

For some time the Soviet Union has been trying to persuade Japan that we are doing our best to promote friction between the two countries. Now, while still endeavoring to reach an understanding with Japan, the Russians refer to the Japanese as our "common foe".

At no time since 1917 has the Soviet Union had such an urgent need for good relations with the United States as now. We are the only source of supply for great quantities of material which it needs for military and industrial purposes. Therefore, regardless of the fact that anti-Soviet feeling in this country is widespread and articulate, even in Governmental circles, the dinner is given to our Ambassador and the old bait of possible Soviet aid against Japan is spread before us. This species of allure has not been used to any extent since it was put away shortly after the establishment of diplomatic relations in 1933.

¹¹ Noted by the Secretary of State.

¹² Vyacheslav Mikhailovich Molotov, President (Chairman) of the Council of People's Commissars of the Soviet Union (Premier).

¹³ Laurence A. Steinhardt, Ambassador in the Soviet Union.

¹⁴ See telegram No. 220, February 28, 7 p. m., from the Ambassador in the Soviet Union, second paragraph, printed in vol. I, section entitled "Activities of the Soviet Union . . .", part I.

756.9412/8 : Telegram

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

ТокYO, March 12, 1940—3 p. m.

[Received March 12—8 : 50 a. m.]

168. 1. The Netherlands Minister gave me today in the strictest confidence information with regard to recent developments in relations between his country and Japan which have come to his attention subsequent to the developments reported in my 120, February 15, 11 a. m.

2. Further study of the action of the Japanese Government in terminating the Treaty of Arbitration of 1933 had led to the conclusion that such action was not of itself politically significant and that the Japanese Government was exercising a right to propose changes in the treaty in view of certain conditions eventuating which had been anticipated when the treaty was signed. However, what was causing the Netherlands Government some concern was the fact that the Japanese Minister at The Hague, when calling on the Minister for Foreign Affairs on February 2 to present the notice of termination of the treaty, presented at the same time an *aide-mémoire* setting forth the view of the Japanese Government with regard to the adjustment of commercial relations between the two countries. It is General Pabst's opinion, which I gather is shared by his Government, that the presentation of these two matters simultaneously to the Netherlands Government was not maladroit but was calculated and designed to produce an impression of Japanese determination to secure their privileges and in fact a preferred position in Dutch possessions.

3. General Pabst supplied me with a copy of the *aide-mémoire*, the text of which is being communicated to the Department in a separate telegram.¹⁵ It is composed of four sections: the first relating to commerce proposes that Japan and the Netherlands East Indies should each refrain from prohibiting or restricting the export and import of goods between the two countries; the second, relating to entry into Japan of employees of Netherlands firms and to the abolition or moderation by the Netherlands Indies of the existing alien labor ordinance; the third, relating to enterprise and investment, the Netherlands Indies to extend further facilities to existing or future Japanese enterprises in the Netherlands Indies, while "Japan is to afford within its influence and competence reasonable protection to Netherlands interests in Manchukuo and China . . ."¹⁶ Netherlands' offer of investment to Manchukuo and China is to be recommended by Japan to be purely a question to the governments concerned"; and the fourth relating to

¹⁵ No. 170, March 12, not printed.

¹⁶ Omission indicated in the original telegram.

strict control by each party of unfriendly press and other published materials.

4. As previously reported in effect, General Pabst said that he called on the Vice Minister for Foreign Affairs on November 10 on another matter and that Tani on his own initiative had stated that the Japanese Government would be prepared to give Netherlands interests a preferred position in China in return for concessions to be granted by the Netherlands Indies to Japanese interests, but that on November 18 Tani had withdrawn the suggestion, explaining that it represented only his "personal views". It is the opinion of General Pabst that the idea of offering the Dutch privileges in China in return for concessions to the Japanese in the Netherlands Indies had been under consideration for some time, that the exposure of the idea to him last autumn by Tani was premature, and that its official adoption by the Japanese Government and formal presentation to the Netherlands Government may be attributed to the announced policy of the Japanese Government to diminish its dependence upon the United States for certain essential raw materials. He added that he had strongly recommended to his Government that the Japanese proposal be rejected, as he is convinced that the Japanese are trying to move cautiously but nonetheless with determination into the Netherlands Indies and that the conceding to the Japanese of any privilege would be the thin edge of the wedge.

GREW

756.94/28 : Telegram

The Consul General at Batavia (Dickover) to the Secretary of State

BATAVIA, April 16, 1940—3 p. m.
[Received April 16—9:50 a. m.]

Reference telegram[s] Nos. 245, 248 and 249 from the Embassy at Tokyo to the Department.¹⁷

1. Attitude of the Government of the Netherlands Indies is that, even should the Netherlands be conquered by Germany, the Indies will strive to exist thereafter as an independent nation. It is pointed out that the rights of the Netherlands in the Indies were guaranteed by the signatories to the Four Power Pact in 922 [1921]¹⁸. This

¹⁷ Dated April 14, 8 p. m., April 15, 6 p. m., and April 15, 8 p. m.; none printed. See press release issued on April 15 by the Japanese Embassy at Washington, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 281.

¹⁸ Signed at Washington, December 13, 1921; *Foreign Relations, 1922*, vol. II, p. 33.

guarantee, however, would not appear to apply should the Netherlands cease to exist as a sovereign state.

2. It is feared here that, should Germany invade the Netherlands, Germans in the East Indies, numbering several thousands, might attempt a coup designed to take over the Government. This would give Japan an excuse "to protect" the Netherlands Indies.

3. With this fear in mind, beginning yesterday the principal railway stations, telephone exchanges, radio stations, banks, et cetera, have been placed under military guard.

Repeated to Tokyo.

DICKOVER

756.94/52

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lothian)

[WASHINGTON,] April 17, 1940.

The Ambassador with much interest inquired as to what this Government planned to do in regard to the utterances of Foreign Minister Arita at Tokyo, concerning the *status quo* of the Netherlands Indies.¹⁹ I replied that I had just completed a public statement and that I hoped to get it to the press during the evening (it was then between 5 and 6 o'clock). I then proceeded to give him a very brief summary of the points presented.²⁰

He expressed himself as being entirely satisfied with the views which I had set forth in the statement.

C[ORDELL] H[ULL]

756.94/56

*The French Embassy to the Department of State*²¹

[Translation]²²

WASHINGTON, April 19, 1940.

AIDE-MÉMOIRE

The French Government has appreciated the declaration made the 17th of this month by the Secretary of State, which has reaffirmed the inviolability of the rights of the Netherlands to their insular posses-

¹⁹ See press release issued by the Japanese Embassy in Washington, April 15, *Foreign Relations*, Japan, 1931-1941, vol. II, p. 281.

²⁰ See press release issued by the Department on April 17, *ibid.*

²¹ Transmitted to the Under Secretary of State by the French Ambassador in his letter of the same date.

²² Translation supplied by the editors.

sions in the Pacific by placing the recent Japanese declaration²³ in the same framework as the Washington agreements.

It believes that this attitude should be strengthened on the diplomatic level in the following manner:

1. The American, British and French Governments, referring to the recent Japanese declaration, would instruct their Legations at The Hague to assure the Netherlands Government of their loyalty to the principles enunciated in the notes of February, 1922.²⁴

2. The same Governments would make known to the Japanese Government, through the medium of their Embassies at Tokyo, that they interpret Mr. Arita's declaration as confirmation of the assurances contained in the note transmitted February 5, 1922, to the Minister for Foreign Affairs of the Netherlands by the Minister of Japan. They would at the same time inform the Japanese Government of the communications which they are making in the same sense at The Hague.²⁵

756.94/43: Telegram

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

[Extract]

Tokyo, April 19, 1940—1 p. m.

[Received April 19—10:33 a. m.]

262. My 251, April 16, 7 [8²] p. m.²⁶

1. The Netherlands Minister gave me in confidence the following account of his conversation yesterday with the Minister for Foreign Affairs, upon whom he called to convey under instructions the views of the Netherlands Government with regard to the Japanese Minister for Foreign Affairs' statement on the status of the Netherlands Indies.

(a) General Pabst first made a conventional statement expressing the appreciation of his Government for Mr. Arita's statement. The Netherlands Government notion [noted] with satisfaction the desire of the Japanese Government that the *status quo* with respect to the Netherlands Indies be maintained. The Netherlands Government perceived no reason for assuming that the Netherlands Government would be involved in the European war, but if the Netherlands unfortunately were to become involved the Japanese Government might confidently

²³ *Démonstration* in French text: possibly garble of *déclaration* in telegram.

²⁴ For the American note, see Department's telegram No. 3, February 3, 1922, to the Minister in the Netherlands, *Foreign Relations*, 1922, vol. I, p. 45.

²⁵ In telegram No. 493, April 17, 5 p. m., the Ambassador in France reported that the proposal presented in the *aide-mémoire* was made to him by an official of the French Foreign Office (756.94/33).

²⁶ Not printed.

rely upon the Netherlands Government to maintain the commercial relations with the Netherlands Indies and Japan and assure to Japan the continuation of Japanese commercial and industrial activities in the former area. In recalling the notes addressed to the Netherlands Government on February 5 [4th], 1922, by the four powers party to the Pacific possessions treaty of 1921 making [*respecting?*] the inviolability of Netherlands territory in the Pacific, General Pabst was instructed to say that his Government is determined not to seek the assistance or good offices of any power [in?] safeguarding of such territory.

(b) Mr. Arita said that he had already received through the Japanese Minister at The Hague a statement of the views of the Netherlands Government, which statement was similar to that communicated through General Pabst. . . .

GREW

756.94/42 : Telegram

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

LONDON, April 19, 1940.
[Received 11:48 a. m.]

1005. Asked yesterday whether the House of Commons could be assured that the British Government did not intend to leave solely to Japan the maintenance of peace in the waters of the Netherlands East Indies, in the event of the Netherlands themselves becoming a theater of war, Mr. Butler ²⁷ replied :

“So far as my noble friend ²⁸ is aware, the Japanese Government have made no claim to be solely responsible for the maintenance of peace in the waters of the Netherlands East Indies. In a statement to the press, the Japanese Foreign Minister said that the Japanese Government could not but be deeply concerned over any development consequent upon the aggravation of the war in Europe which might affect the *status quo* in the Netherlands East Indies. I need hardly say that upon this question His Majesty’s Government hold similar views.”

KENNEDY

²⁷ R. A. Butler, British Parliamentary Under Secretary of State for Foreign Affairs.

²⁸ Viscount Halifax, British Secretary of State for Foreign Affairs.

756.94/56

*The Under Secretary of State (Welles) to the French
Ambassador (Saint-Quentin)*

WASHINGTON, April 20, 1940.

MY DEAR MR. AMBASSADOR: I acknowledge receipt of your letter of April 19²⁹ and the *aide-mémoire* of the same date to which it refers.

The suggestions which your Government offers, as conveyed in the *aide-mémoire*, have been given careful consideration. It seems to us that, in the light of the statements which have been made during the last few days by or on behalf of the French, the British and the American Governments respectively, and of reports which have appeared regarding the reaction of the Japanese Foreign Office thereto, there would seem to be no need, for the present at least, of the taking of formal steps such as your Government has suggested.

I am [etc.]

SUMNER WELLES

756.94/49 : Telegram

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

TOKYO, April 22, 1940—1 p. m.
[Received April 22—1:30 a. m.]

273. Our 269, April 20, 5 p. m.³⁰ This morning's vernacular press reports that, after an interview with the Secretary of State on April 20, Ambassador Horinouchi announced that Japan and the United States have reached an agreement in principle with regard to the question of the maintenance of the *status quo* of the Dutch East Indies.³¹

GREW

756.94/63 : Telegram

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

LONDON, April 26, 1940—9 p. m.
[Received April 26—2:10 p. m.]

1071. My 1005, April 19. The Foreign Office has asked me to convey a message to you to the effect that the statement made on April 19 in the House of Commons by the Parliamentary Under Secretary of State for Foreign Affairs Mr. Butler in regard to the Netherlands

²⁹ See footnote 21, p. 9.

³⁰ Not printed.

³¹ See memorandum by the Secretary of State, April 20, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 283.

East Indies is being repeated this afternoon in more precise and detailed form to the Japanese Ambassador in London as an expression of the British Government's views.

KENNEDY

756.94/135

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lothian)

[WASHINGTON,] May 10, 1940.

I said to the Ambassador that I desired to propound a question—not a request or a suggestion even—to his Government as to the idea of this Government approaching the Government of Japan and saying to it that the British Government advises me that it stands unequivocally for the maintenance of the *status quo* of the Dutch East Indies just as it did before the invasion of Holland; that the United States Government likewise stands unequivocally for the maintenance of the *status quo* of the Dutch East Indies just as this Government along with the Government of Japan some days ago announced this as their definite and unequivocal position and attitude; that in these circumstances I desired to inquire of the Government of Japan if it is disposed to continue its position as heretofore announced by it some days ago of maintaining the *status quo* of the Dutch East Indies and its integrity in every way. The Ambassador seemed to be favorably disposed to this idea and made note of it to place before his Government.

C[ORDELL] H[ULL]

756.94/104

Memorandum by the Assistant Secretary of State (Berle) of a Conversation With the Australian Minister (Casey)

[WASHINGTON,] May 10, 1940.

The Australian Minister came in today to see me, at his request.

He was principally interested in obtaining whatever information we might have on the general situation, with particular reference to the situation of the Dutch East Indies. I gave him a very general outline, as we saw it, indicating, among other things, that we felt that the *status quo* in the Dutch West Indies, as well as in the Dutch East Indies, ought to be preserved, and for that reason were not anxious to have Allied landings, except where they were definitely at the request of the Dutch authorities, under Dutch command, and carried out merely for the purpose of temporary assistance to the Dutch government. I pointed out that it would be unfortunate if it were believed that by reason of the invasion of Holland a change in the political

status of the Netherlands East and West Indies had taken place, or was likely to take place.

A. A. BERLE, JR.

740.0011 European War 1939/2824 : Telegram

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

TOKYO, May 11, 1940—noon.
[Received May 11—1:29 a. m.]

326. 1. It has been announced that the Cabinet will meet this afternoon to review Japan's policy of non-involvement in the European war in the light of Germany's invasion of Belgium and the Netherlands.

2. The press this morning agrees that recent developments do not call for any change in the policy of non-involvement, but it stresses that any change in the status of the Netherlands Indies toward placing this area under American or British control would bring serious consequences.

GREW

756.94/83a : Telegram

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

WASHINGTON, May 11, 1940—2 p. m.

148. The Department is releasing to the press a statement as follows:

[Here follows text printed in *Foreign Relations, Japan, 1931-1941*, volume II, page 285.]

HULL

756.94/78 : Telegram

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

TOKYO, May 11, 1940—4 p. m.
[Received May 11—10:05 a. m.]

327. The Minister for Foreign Affairs has just communicated to me the following information:

This afternoon the Minister for Foreign Affairs called in the German Ambassador and, handing him a copy of the Foreign Minister's statement of April 15 with regard to the status of the Netherlands Indies, stated that the concern of the Japanese Government in maintaining the present status of the Indies, as expressed in the statement of April 15, had been accentuated by recent developments in Europe. He subsequently called in the British and French Ambassadors and made to them a similar statement.

Repeated to Shanghai for Commander-in-Chief and Chungking.
Repeated to Batavia.

GREW

756.94/85b : Telegram

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

WASHINGTON, May 13, 1940—3 a. m.

149. Consul General at Batavia has telegraphed³² that twice today station KGEI at San Francisco announced that French marines had landed in the Netherlands East Indies. We have requested the manager of the station to announce that no allied forces have landed in the Netherlands East Indies.

HULL

756.94/138

Memorandum of Conversation, by the Assistant Secretary of State (Berle)

[WASHINGTON,] May 13, 1940.

The Australian Minister came to see me, at my house, yesterday (Sunday, May 12th) about 2:30.

He stated that Lord Lothian had informed him of Lord Lothian's conversation with the President; that the President had said that he had information indicating a possible Japanese move against the Dutch East Indies within a day or two.

Mr. Casey said that the Australian war Cabinet was meeting on Monday and he wished to get off a telegram to them which might be of use in deciding one question. This was whether the Australian ships and troops should be moved to Darwin, in the north of Australia, where they might be of assistance in the Dutch East Indies.

I said that I had likewise heard the report to which the President referred, but that I wished to consider the matter further before discussing it. I pointed out that the line generally taken by the Dutch was that they needed no assistance and wished to have none; and that there would be an obvious danger that any military movements in the direction of the Dutch East Indies would be seized upon as an excuse by the Japanese. The landings in the Netherlands West Indies

³² Telegram May 12, 11 p. m.; not printed.

I understood to have been entirely by arrangement with the Dutch government.³³

Subsequently I discussed the matter with the Secretary, on the croquet ground at Woodley. It was his view that the information was not sufficient to justify us in giving the Australians any particular advice; further, that the Australian forces were not sufficient to have any real effect in defending the Dutch East Indies.

I accordingly telephoned Mr. Casey last evening (May 12th) that as we saw the situation there was nothing which justified us in giving advice on the question of shifting of troops to Darwin, one way or the other.

A. A. BERLE, JR.

756.94/144

Memorandum by the Appointed Minister in Australia (Gauss)

[WASHINGTON,] May 13, 1940.

I met Frederick Moore³⁴ casually on the street yesterday afternoon and chatted with him for a few minutes. In the course of our conversation, otherwise of no particular interest, he expressed himself as very much discouraged over the situation in reference to the Netherlands East Indies, saying that the Japanese are "prepared to go" in that direction; that he has argued against it but apparently can make no impression; that the Japanese seem unwilling to believe that we would act in event of their moving on the Netherlands East Indies,³⁵ that he believes that we would act—that while we might determine to keep out of the war on the Atlantic front we will likely be drawn in on the Pacific; that the Japanese take the simple statement of the President "I am a Pacifist" (last Friday)³⁶ as indicating that we will not fight, giving it a meaning quite contrary to what was intended; and that the situation has not been improved by the British landings in the Dutch West Indies.

I do not know how close Moore is to the Japanese Embassy, but it occurs to me that you might be interested in the foregoing.

C. E. GAUSS

³³ For correspondence regarding the Netherlands possessions in the Western Hemisphere following the German invasion of the Netherlands, see vol. II, under Netherlands.

³⁴ American newspaperman employed in an advisory capacity by the Japanese Embassy; previously adviser to the Japanese Foreign Office, 1921-26, and to the Japanese delegation to the League of Nations Assembly, 1932-33.

³⁵ Commenting on this memorandum, the Adviser on Political Relations wrote on May 13: "That the Japanese have for sometime been convinced that the United States will take no positive and material action toward directly restraining or interfering with Japan, I myself have very little doubt."

³⁶ For President Roosevelt's address on May 10, see Department of State, *Peace and War: United States Foreign Policy, 1931-1941* (Washington, Government Printing Office, 1943), p. 523.

756.94/83 : Telegram

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

WASHINGTON, May 14, 1940—5 p. m.

151. On May 13 our Embassy at Paris telegraphed³⁷ that according to a report received by the French Government from a source which some persons in the French Government take seriously, the Japanese Government has decided—on the pretext that it is necessary for Japan to make certain of the continuous and uninterrupted flow of certain products of the Netherlands East Indies—to send a small fleet and marines to seize those islands and that this action would take place within the next week. We believe that all such reports must be regarded with skepticism. Our Embassy at Paris also reports that it has been informed by the French Foreign Office that the French Ambassador at Tokyo has telegraphed that in his opinion Japanese action against the Netherlands East Indies was no more likely at this moment than it had been 2 weeks ago.

HULL

756.94/85 : Telegram

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

TOKYO, May 14, 1940—6 p. m.
[Received May 14—5:30 a. m.]

335. 1. On instructions from his Government my British colleague³⁸ last evening made to the Foreign Minister an oral communication in the following sense:

“His Majesty’s Government fully share the concern of the Japanese Government for the maintenance of the *status quo* of the Netherlands East Indies. They have been informed by the Netherlands Ministry of Foreign Affairs that the Netherlands forces on the spot are sufficient to maintain order and security and that there is consequently no need for assistance from any quarter.

“His Majesty’s Government for their part have no intention of intervening in the Netherlands East Indies.”

2. The Foreign Minister expressed his appreciation at receiving this communication. He added that it was hardly necessary to assure Sir Robert Craigie (and he later gave categorical assurances) that the Japanese Government for its part also has no intention of intervening in the Netherlands East Indies. Mr. Arita’s main preoccupation appeared to be in regard to the continuance of Japan’s supplies of raw materials from those islands. The Ambassador replied

³⁷ Telegram No. 641, not printed.

³⁸ Sir Robert Craigie.

that in this respect he did not consider The Netherlands Government was likely to take any different attitude from that hitherto pursued by the Bulgarian [*British?*] Government in relation to commodities exported from Malaya and the Straits Settlements.

GREW

756.94/814 : Telegram

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

TOKYO, May 14, 1940—9 p. m.
[Received May 14—11:40 a. m.]

338. 1. My British colleague has today shown to me Lord Lothian's telegram to Lord Halifax reporting his recent conversation with the President concerning the Netherlands East Indies and has also given me the text of the consequent statement of diplomatic representations to the press on May [14?]. While recognizing the extreme privacy of the President's conversation, the fact that Lord Lothian's report has been communicated to me and that it mentions sources of information in Tokyo leaves me no option but to submit my comments. A close paraphrase of Lord Lothian's telegram as received by the British Ambassador in Tokyo follows:

"President this evening told me that the news that he was receiving from Tokyo was causing him grave alarm. Intervention in Netherlands East Indies was apparently being contemplated by Japanese on excuse of intervention by British and French in Netherlands West Indies in order to avoid possibility of the Dutch inviting assistance from British and French in East Indies as had been done in West Indies. In order to strengthen his hand in Tokyo President asked me to telephone two requests to London: first, that on Sunday British Government should issue public statement that it had no intention whatever of intervening in East Indies. Netherlands Government should also if possible state that it had no need of inviting assistance there and no such intention. Second, request was that tomorrow announcement should also be made that since arrest of Germans and other local leaders had safeguarded situation in Curaçao and Aruba there should be withdrawal at earliest moment and if possible immediately of British and French troops placed at disposal of local authorities. I shall telephone you at noon London time Sunday because President has asked me to let him have your answer if possible Sunday morning."

2. Without accepting the accuracy of the foregoing report, I trust that the following comment may be found helpful. I respectfully wish to print [*point?*] to the ever increasing questioning in Japan of the wisdom and practicability of Japanese foreign policy talks in the slogan "new order in East Asia". As reported in several of my recent

telegrams, there is a growing number of Japanese who are more and more openly criticizing attempts by Japan to set up an economy of self-sufficiency and who advocate a policy of international cooperation. At the other end of the scale are the extremists, still insisting on Japanese domination of China. In between are elements pressing the Government to [end?] the campaign in South and Central China and to entrench in North China and then to occupy the Dutch East Indies on the ground that China alone will not afford economic self-sufficiency to Japan. The persuasive character of this last thesis has been much strengthened by public discussion in the United States of the placing of embargoes against Japan, on the basis of the argument that the Indies would provide several raw materials which would be withheld by the United States. While admitting that Japan's occupation of the Indies would result in an American embargo, these elements believe that the United States would under no circumstances go to war against Japan.

3. Sir Robert Craigie and I believe that the Prime Minister³⁹ and the Foreign Minister oppose such action and are not deluded by theories of American restraint under such provocation.

4. In the face of fairly strong defensive forces in the Dutch East Indies, we believe that a large Japanese expeditionary force would be required for occupation. We have seen no indications here of such a force. A considerable part of the Japanese fleet has recently returned from South China to Yokosuka. Presumably such an expeditionary force would be prepared in Yokosuka, Formosa or Hainan. British authorities here and in Hong Kong and Singapore are closely watching developments. Our Naval Attaché⁴⁰ has been consulted on the contents of this paragraph and concurs.

GREW

756.94/88

The Netherland Minister (London) to the Secretary of State

No. 2719

WASHINGTON, May 15, 1940.

SIR: I have the honor to confirm the message which I have communicated by telephone to Mr. Berle, the Assistant Secretary of State, that I am in receipt of a telegram from the Netherlands Minister in London, worded:

"As a reaction on certain information received, Minister van Kleffens wired to Minister Tokyo on the 13th May as follows.

You can give formal assurance Japanese Government that we have obtained absolute certainty that neither Allies nor United States

³⁹ Adm. Mitsumasa Yonai.

⁴⁰ Lt. Comdr. Henri H. Smith-Hutton.

would interfere integrity Netherlands Indies nor curtail oil supplies for use by Japan. I have today supplemented the above in a telegram to the Netherlands Minister in Tokyo reading as follows 'My telegram 13th May regarding formal assurance Japanese Government you can extend that assurance to normal supply all raw materials subject to our vital necessities and no reexport enemy destination'. Please inform United States Government of the above."

Please accept [etc.]

A. LOUDON

756.94/136

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

[WASHINGTON,] May 16, 1940.

The Minister of Australia called to see me late yesterday evening. He gave me a message he had just received by cable from his Government which read as follows:

"It is felt that if unguarded assurance could be obtained from and publicly stated that the United States of America is not prepared to entertain any attempt at intervention in the Dutch East Indies, it would be most beneficial and welcome."

I said to the Minister that if I interpreted this message correctly, it was tantamount to a public declaration by the United States that if any other government attempted to intervene in the Netherlands East Indies, the Government of the United States would resist such attempt by force. I said that this Government was not prepared at this time to make such a statement. I reminded the Minister of two public statements made by the Secretary of State in recent days⁴¹ with regard to the interest of the United States in the maintenance of the *status quo* of the Dutch East Indies, and similar declarations to the same effect subsequently by the British and Japanese Governments. I said that the Japanese Government was fully aware of the point of view in this regard of the Government of the United States and that for the moment this Government had nothing further in contemplation.

The Minister inquired whether I had any further news with regard to Japanese intentions in the Pacific. I told the Minister that we had no further information, of a disquieting character at least, and that for the moment, as he knew, the American battle fleet was concentrated at Hawaii.

The Minister gave me a copy of a statement made by the Australian Minister for External Affairs at the opening of the Australian Parliament on May 15, a copy of which is attached herewith.⁴²

⁴¹ April 17 and May 11, *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 281 and 285.

⁴² Not printed.

The Minister inquired with regard to general developments in Europe and I gave him such information as was at my disposal at that time.

S[UMNER] W[ELLES]

756.94/103 : Telegram

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

TOKYO, May 20, 1940—7 p. m.

[Received May 20—8:27 a. m.]

357. 1. Information has come to the British Embassy from good authority that in connection with the situation in the Netherlands East Indies Japanese naval units have been sent to Palau Island. It is, furthermore, understood by informant that the Japanese Government is considering measures to ensure Japan's economic requirements by making definite demands on the Netherlands East Indies Government.

2. The British Ambassador has expressed to his Government the opinion that the making of such demands at a moment when the pre-occupation elsewhere of third interested powers might be expected to preclude effective opposition would conform to normal Japanese procedure and that such action is more likely than actual attack on the Netherlands East Indies.

GREW

740.0011 European War 1939/3197 : Telegram

The Chargé in Thailand (Chapman) to the Secretary of State

BANGKOK, May 21, 1940—3 p. m.

[Received May 21—7:18 a. m.]

32. I have just been informed by a source close to the Prince Regent's family that the German Minister has promised Thailand, presumably under instructions, the provinces of Kedah and Kelantan and large parts of Indo-China if Germany wins the war. No *quid pro quo* mentioned.

This report not confirmed as yet.

CHAPMAN

756.94/113 : Telegram

The Consul General at Batavia (Dickover) to the Secretary of State

BATAVIA, May 22, 1940—7 p. m.

[Received May 22—5:45 p. m.]

There has been a certain reluctance lately among the local officials to give this office information about stocks, etc., of export commodities

especially tin and cinchona bark. Today this Consulate General learned from a responsible official that this reluctance is due to fear that the United States will buy up so much of the stocks on hand that Japan, which is insisting upon its economic dependence upon the Dutch East Indies, will be given real cause for alarm and possible action.

DICKOVER

756.94/114 : Telegram

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

TOKYO, May 23, 1940—1 p. m.
[Received May 23—6:48 a. m.]

363. Our 358, May 21, 7 p. m.⁴³

1. Following statement issued yesterday by Foreign Office.

“At 11 o'clock this morning the German Ambassador General Eugen Ott called on Foreign Minister Mr. Hachiro Arita at the Foreign Office. After a brief time explaining to the Foreign Minister the war situation in Europe the German Ambassador conveyed to the Foreign Minister, under instructions from his home Government, that, with reference to the Japanese Government's communication of May 11, the German Government is not interested in the problem of the Netherlands East Indies.”

[Here follows brief summary of press reports.]

GREW

793.94/15890 : Telegram

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

HONG KONG, June 1, 1940—10 a. m.
[Received June 1—9:02 a. m.]

169. Rumors always current here of Japanese naval and military concentration in the Hainan Island area have been accentuated during recent days. In seeking confirmation I learned last night that several large Japanese troop transports were seen by reliable observers approaching Hainan on the night of May 26.

Unconfirmed reports estimate that Japanese troops now on Hainan exceed 150,000.

Best informed Hong Kong opinion is that Japanese naval and military forces concentrating in the Hainan area are in preparation for

⁴³ Not printed.

possible movement against Indo-China⁴⁴ or the Dutch Indies or both depending on developments in Europe.

Usually reliable sources here say that a Japanese naval conference of importance took place recently in Canton and that it included representatives from Hainan and other areas.

Repeated to Chungking, Canton and Peiping for Tokyo.

SOUTHWARD

793.94/15903 : Telegram

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

CHUNGKING, June 4, 1940—9 a. m.

[Received 9 : 20 a. m.]

238. Hong Kong's 169, June 1, 10 a. m. Local Chinese military sources confirm reports of concentration of Japanese Army and Naval forces in the region of Hainan. One such source estimates Japanese military forces recently despatched to the island as totaling only slightly over 10,000 men, while another declares 3 divisions totaling 60,000 men have been despatched from Japan to Hainan. It seems not unlikely that the latter figure is excessive and that the first figure more nearly corresponds with [the facts?]. Same informants report that Japanese continue construction of air fields in Hainan and that 200 bombers and 2 aircraft carriers are now based on Hainan.

The prevalent feeling in Chinese official quarters here seems to be that the Japanese are capable of risking a move in the direction of Indo-China or the Netherlands East Indies in the event of an allied collapse in Europe and perhaps even in the event of active Italian intervention on the side of Germany; at the moment it is generally felt that Indo-China might be the first object of attack, perhaps resulting in a renewed Japanese drive in Kwangsi. While informed Chinese point to the possibility of the extension of Japanese military activities, they nevertheless generally adhere to the opinion that the attitude of the United States is the paramount factor that will determine whether Japan will or will not precipitate an adventure in the south, and that Japanese inability heretofore to gauge the prospective attitude of the United States has contributed largely to what might be described as the Japanese attitude of indecision in the matter.

Repeated to Peiping, Hong Kong and Canton.

Peiping please repeat to Tokyo.

JOHNSON

⁴⁴ In despatch No. 97, June 2, received June 27, the Consul at Hanoi reported growing apprehension among Chinese residents in French Indochina that the Japanese were about to attack Indochina, using Hainan Island as a base (793.94/15990).

756.94/142: Telegram

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

TOKYO, June 12, 1940—noon.

[Received June 12—3:25 a. m.]

439. Our 170, March 12, 5 p. m.,⁴⁵ heading 3, sub-division 2, Japanese enterprises in Netherlands East Indies.

1. My Netherlands colleague told me last night that he yesterday invited Mr. Nishi, Director of European and Western Asiatic Affairs of the Foreign Office, to lunch alone with the Minister at the Legation and that in the course of conversation Nishi said that the Japanese navy is pressing the Foreign Office to obtain concessionary rights to explore for new oil fields in the Netherlands East Indies in order to afford oil reserves for the navy.

2. On my telling the Minister of the categorical assurances given me by the Minister for Foreign Affairs in our conversation of June 10⁴⁶ that Japan has no territorial ambitions, General Pabst said that he believed this to be entirely true so far as the Government is concerned but that on the other hand Japan has economic ambitions and that economic penetration is consistently dangerous.

GREW

792.94/57: Telegram

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

TOKYO, June 12, 1940—6 p. m.

[Received June 12—3:37 a. m.]

443. It was announced today at the Foreign Office that a treaty was signed at Tokyo this morning with Thailand containing the following provisions:

- (a) Mutual respect for the territory of the other;
- (b) Exchange of information on matters of mutual interest;
- (c) Each party to refrain from assisting any nation at war with other party.

GREW

741.9211/6: Telegram

The Chargé in Thailand (Chapman) to the Secretary of State

BANGKOK, June 13, 1940—9 p. m. [a. m.]

[Received June 13—7:45 a. m.]

35. Legation's telegram No. 19, April 13, 2 p. m., and 28, May 14, 3 p. m.⁴⁷ Non-aggression pacts with France and Great Britain signed

⁴⁵ Not printed.⁴⁶ See memorandum of June 10, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 67.⁴⁷ Neither printed.

yesterday at Bangkok. A pact with Japan pledging mutual respect for each other's territorial integrity was signed simultaneously at Tokyo. In his replies to congratulatory speeches made by French and British Ministers, the Prime Minister⁴⁸ expressed his great satisfaction to sign the pacts and said that they afforded Thailand an opportunity of showing to the world her attachment and love for righteousness and peace.

In the light of current world events I consider the action of the Thai Government to be particularly commendable and courageous. I believe that an official expression of opinion on the subject by the United States Government would be gratefully received by the Thai Government.

CHAPMAN

811.30 Asiatic Fleet/860

*Memorandum by the Under Secretary of State (Welles) of a
Conversation With the Netherland Minister (Loudon)*

[WASHINGTON,] June 13, 1940.

The Minister of the Netherlands called to see me this afternoon at my request. I told the Minister that the Secretary of State and I had given very careful consideration to the request advanced by the Minister in his conversation with me on June 11,⁴⁹ namely, that contact be established between the naval forces of the Netherlands East Indies and the Asiatic squadron of the United States. I said that we had regretfully come to the conclusion that it was impossible for us to comply with his request since we saw no practical way in which such a contact could be established, and, secondly, because of the fact that steps of this character would unquestionably give rise immediately to very great suspicion on the part of Japan which could only result in prejudice to the best interests of the Netherlands East Indies.

The Minister said that he had been giving a good deal of thought to the matter himself and had reached the same conclusion. The Minister was therefore in no way disappointed in my reply.

S[UMNER] W[ELLES]

893.24/744: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, June 17, 1940—noon.

[Received June 17—10:47 a. m.]

I am informed orally by the Foreign Office that an order was issued this morning prohibiting the transit of all cargo to China. It is

⁴⁸ Maj. Gen. Luang Pibul Songgram.

⁴⁹ Memorandum of conversation not printed.

rumored that the reason for the order is to retain in Indo-China supplies for defensive purposes or the acceptance of an ultimatum such as that mentioned in my despatch 98 dated June 4⁵⁰ or a combination of the above.

Sent to naval radio, Cavite, for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

893.24/747 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, June 19, 1940—10 a. m.

[Received 12 : 50 p. m.]

Referring to my telegram dated June 18, 2 p. m.⁵¹ Late yesterday an official of the Government General summarized the situation as follows: There has been no formal demand that all transit traffic to China be stopped but through other channels the Government General has been made aware that such transportation may lead to intervention; to remove any pretext for such action practically all transit via Indo-China has been suspended; ⁵² but with or without a pretext intervention is still a feared possibility unless the situation in Europe turns for the better or it appears that the United States is prepared to enforce maintenance of the *status quo* in the Far East.

The necessity of creating a reserve for defense is the reason they have given out.

Sent to Naval Radio, Cavite, for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

793.94/15962 : Telegram

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

TOKYO, June 19, 1940—5 p. m.

[Received June 19—7 : 55 a. m.]

470. 1. My British colleague has this moment sent me the following substance of telegram despatched to the Foreign Office, London, today :

[“]Director of Military Intelligence, Japanese General Staff sent for Military Attaché this morning and spoke as follows :

⁵⁰ Not printed; it reported a conversation with Marc Chadourne, a French writer, in which he said he believed it possible that Japan would issue an ultimatum to Indochina to stop all shipments to the Chinese Government (893.00/14558).

⁵¹ Not printed.

⁵² In a telegram dated August 6, 5 p. m., the Consul at Saigon recapitulated prohibitions laid down on June 20, June 22, and July 7 by the Governor General on transit to China of war goods (893.24/819).

Great Britain's hostile attitude towards Japan's aspirations in China and pusillanimous handling of national defense problems has driven Japan into Germany's arms and now the overwhelming majority of the Japanese people and especially the fighting [forces?] are anti-British. With the collapse of France and the British impotent in the Far East, the Japanese people feel that they would earn the obloquy of their descendants if they do not seize the opportunity. The situation is critical and there is now nothing to stop Japan from seizing French Indo-China, the Netherlands Indies or Hong Kong or all of them. Japanese forces are already prepared to march to the frontier of Indo-China to ensure that the suspension of transit of goods to China is being enforced and they may even find it necessary [to] enter French Indo-China. The United States of America are in no condition to prevent Japan from taking whatever action she likes in the Western Pacific. Great Britain now has her last chance and if she takes it positive action by Japan may be averted. Japan's demands are: (1) immediate closing of Burma frontier with China, (2) immediate closing of Hong Kong frontier, (3) immediate withdrawal of British troops from Shanghai. Instant and decisive compliance with these demands is the only thing that may yet avert a declaration of war by Japan against Great Britain.

Director of the Military Intelligence stated that the above is the opinion of the overwhelming majority of Japanese fighting forces and of the Japanese people and he stated that we deceive ourselves if we believe the soothing words of the Foreign Office. The Government is weak and the army all powerful. The Director of Military Intelligence requested the Military Attaché to convey the substance of their conversation to His Majesty's Ambassador immediately. In view of the importance of this communication I am taking the matter up with the Minister of Foreign Affairs this afternoon."⁵³

GREW

793.94/15963 : Telegram

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

TOKYO, June 19, 1940—6 p. m.
[Received June 19—6 : 03 a. m.]

471. Continuing my 470, June 19, 5 p. m.

2. I have an appointment later this afternoon with the Minister for Foreign Affairs and I propose to ask him as on my own initiative whether the Japanese Government is aware of and associates itself with the position taken by the Japanese Army as above reported. Craigie authorizes me to use this information but without revealing individual Japanese source.

GREW

⁵³ The Canadian Legation, on June 20, brought the same matter to the Department's attention (893.24/781).

793.94/15964

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

Tokyo, June 19, 1940—7 p. m.

[Received June 19—12: 54 p. m.]

473. Our 470, June 19, 5 p. m., and 471, June 19, 6 p. m.

1. The British Ambassador saw the Minister for Foreign Affairs this afternoon alone after the signing of the Tientsin agreement,⁵⁴ informed him of the substance of the communication received from a military source set forth in our 470, June 19, 5 p. m., and asked the Minister whether the communication represented the views and intentions of the Japanese Government.

2. The Minister replied that the communication "should not be taken seriously" and that communications from the Japanese Government to other governments would be conveyed through the Minister himself. He added that consideration was given to the presentation [to] the British and French Governments of some of the points brought out in the military communication but that such points would be presented in an entirely different way from the military presentation.

3. Prefacing my own talk with the Minister for Foreign Affairs later in the afternoon I said to Mr. Arita that the British Ambassador had advised me of the substance of the military communication and of the Minister's comments thereon and that Sir Robert Craigie had authorized me to inform the Minister that I was aware of the nature of their conversation. I told the Minister that my Government would be deeply concerned when receiving my report of the military communication to the British Ambassador and I inquired whether I might inform my Government that the Minister had confirmed to me his statement to the British Ambassador; the Minister thereupon authorized me to inform my Government that he confirmed his statement to the British Ambassador as set forth in paragraph numbered 2 above.

4. The British Ambassador in his conversation with the Minister for Foreign Affairs pointed out with regard to the question of closing the Burma-China frontier that the forthcoming rainy season will automatically prevent traffic over that frontier for several months, and he furthermore pointed out the extremely small percentage of British exports over the Burma road.

5. The Ambassador said to me that without the support of the United States Great Britain, owing to the situation in Europe, would undoubtedly be obliged to withdraw the British troops from Shanghai

⁵⁴ See telegram No. 472, June 19, 7 p. m., from the Ambassador in Japan, p. 857.

in the face of a Japanese demand but that his Government had no intention of leaving the United States in the lurch.

6. The Ambassador understands that Prince Kanin, the Chief of Staff, is to see the Emperor today, presumably in order to discuss the matters presented in the military communication, and Sir Robert Craigie doubts whether the Emperor will approve of the proposed procedure of the army. The Ambassador characterizes the military communication as in line with previous saber rattling prior to the opening of negotiations but he recognizes the fact that the present communication under reference is of an unusually serious nature.

GREW

851G.01/25

Memorandum by the Adviser on Political Relations (Hornbeck) of a Conversation With the French Ambassador (Saint-Quentin)

[WASHINGTON,] June 20, 1940.

The French Ambassador called on me this morning at his request. The Ambassador said that the matter about which he had come to speak was urgent. He referred to his conversation of yesterday afternoon at 5 o'clock with Mr. Welles,⁵⁵ and said that later, at 7 o'clock, he had received another telegram from the Governor General of Indochina⁵⁶ to the effect that, in Tokyo, Mr. Tani had requested of the French Ambassador that the frontier between Indochina and China be closed before the morning of June 21; that the Governor General, under advice of the French Ambassador at Tokyo, had decided to close the frontier from the 20th; that the French Ambassador at Tokyo, while strongly advising that that step be taken, informed the Governor General that he could not guarantee that it would prevent the Japanese campaign against Indochina, as the pressure of the Japanese Army elements upon the Japanese Government was great.

Count de Saint-Quentin made inquiry: "Does the State Department see its way to give friendly advice to the Japanese Government to refrain from such an aggression?"

I said to the Ambassador that we had been considering, on the basis of his conversation with Mr. Welles of yesterday, what, if anything, this Government might do in the premises; that such consideration was going on at the moment; that I would report what he had now said to me; and that I would try to see that our consideration of the question be speeded up and our action, if and as decided upon, be taken at the earliest possible moment.

S[TANLEY] K. H[ORNBECK]

⁵⁵ No record of conversation found in Department files.

⁵⁶ Gen. Georges Catroux.

851G.01/14 : Telegram

*The Deputy Ambassador in France (Biddle)*⁵⁷ *to the Secretary of State*

BORDEAUX, June 20, 1940—7 p. m.

[Received 10 : 50 p. m.]

47. My telegram No. 41, June 20, 1 p. m.⁵⁸ Chauvel showed us this afternoon the text of the pertinent decree which he hopes will be signed today. It gives broadest possible powers to local French colonial authorities to handle important matters of policy customarily referred to the government at Paris and it covers all French possessions overseas.

He likewise showed us a copy of a cable just received addressed by the French Ambassador at Tokyo to the Governor General of Indo-China with reference to shutting off of gasoline shipments to the Chinese. Henry indicated that he felt the Japanese are actively seeking a pretext for attacking Indo-China and Chauvel considers the situation in that respect "highly menacing". He suggested we cable you to that effect.

BIDDLE

893.24/748 : Telegram

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

TOKYO, June 20, 1940—midnight.

[Received June 20—4 p. m.]

481. The French Ambassador communicated to me today the following information :

1. The Japanese Government last week made a "request" that the transportation from French Indochina to China of petroleum, trucks and railway supplies be stopped. This proposal was referred to the French Government and at the same time was communicated for his information to the Governor General of Indochina. Having regard to the situation in France the Governor General assumed the responsibility for taking action responsive to the Japanese proposition and telegraphed my French colleague on June 17 that he had forbidden the transportation to China of petroleum. In a further telegram received here the following day the Governor General stated that he had also prohibited the transportation of trucks. Mr. Arsene-Henry yesterday communicated the foregoing information to the Foreign Vice Minister who stated that although the action of the Governor

⁵⁷ June 10-25 at Bordeaux ; as Ambassador to Poland, Mr. Biddle then followed the Polish Government-in-Exile to England.

⁵⁸ Not printed.

General was gratifying it was desired that he also forbid the transportation of railway supplies and that he comply with a Japanese request made some time ago that the Japanese be permitted to establish cargo control in French Indochina. A third telegram from the Governor General received today stated that he has forbidden the transportation of railway supplies and that he has in fact prohibited all cargo traffic to China and that he would be agreeable to the establishment of cargo control provided that such control was carried out in a "discreet" manner.

2. As it has been impossible to consult the French Government, full responsibility for complying with the Japanese wishes has been assumed by the Governor General and the French Ambassadors in Japan and China. These three officials realize the importance of avoiding action which would lead to charges in the United States of French bad faith or lack of cooperation. They feel, however, that to give the Japanese any pretext for aggression against French Indochina is the supreme consideration at this critical time. My French colleague requested in the most earnest manner that the American Government would view with sympathy the difficulties confronting these three French officials on whom fate has imposed the responsibility for safeguarding the interests of France in the Far East.

GREW

851G.01/17 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, June 21, 1940—9 p. m.
[Received June 21—9 : 30 a. m.]

Referring to my telegram dated June 20, 11 a. m.⁵⁹ The situation here appears to have improved considerably within the last 24 hours but preparations for defense are being methodically expedited.

I was informed by the Governor General late this afternoon that he intended to defend Indochina at all costs. While he expressed hope that the United States would exert influence to maintain the *status quo* in the Far East, he emphasized the hope that several hundred airplanes could be made available in the near future to be followed by other needed munitions of war. He suggested that these supplies might be taken from those ordered previously for France. He expressed regret that circumstances have forced the closing of this [area?] for American goods.

Sent to the Department naval radio Cavite for repetition to the Consulate [*Embassy?*] Chungking [and] confirmation copies Hong Kong.

REED

⁵⁹ Not printed.

756.94/147 : Telegram

*The Consul General at Singapore (Patton) to the Secretary
of State*

SINGAPORE, June 22, 1940—noon.

[Received June 22—4 : 30 a. m.]

Conferences now being held in Singapore by military, naval, and government officials in view of the critical situation which may result from Japan making further efforts to develop her new order in Asia. One of the chief subjects under discussion is the disposition of oil fields and refineries at Miri and Sandakan as well as in Netherlands Indies which it is not feasible at the present time to protect. It is understood that preparations have been made to destroy all refineries in the event that the Japanese attempt to occupy them. Naval authorities believed that Japan will attempt some such action if the United States curtails oil supplies to Japan.

PATTON

851G.01/26

The Chinese Embassy to the Department of State

With the collapse of French resistance in Europe, the possibility of Japanese invasion of French Indo-China is becoming increasingly imminent. In the meantime, the authorities of Indo-China, under the pressure of Japanese threats, have placed a ban on the exportation to China of arms, munitions, petroleum and a great variety of other articles.

It is estimated that goods belonging to the Chinese Government and at present stored in Indo-China amount to no less than 90,000 tons, and will require approximately one year under existing conditions to complete their transportation to the Chinese interior provinces. These goods include considerable quantities of manufactured and agricultural products which the Chinese Government has purchased from the United States by means of the commercial loans, as well as large stocks of minerals and materials which the Chinese Government has earmarked for export to the United States.

Should these goods be prevented from reaching China, or allowed to fall into the hands of the Japanese, it would seriously undermine China's power of resistance against aggression, and would nullify the efforts of the American Government to assist China in that resistance.

The Chinese Government, in anticipation of Japan's designs against Indo-China, has in recent months repeatedly urged upon the Governments of Great Britain and France and the authorities of Indo-China the desirability of a joint defense plan for Indo-China in which the Chinese Government was prepared to participate with all available re-

sources in its power. Unfortunately, however, these proposals of the Chinese Government have not been acted upon by the Allied Powers.

At the present moment, while the Chinese forces are busily engaged with the enemy in Western Hupeh, the massing of Japanese naval and army units on Hainan Island establishes beyond doubt Japan's sinister designs against Indo-China. Once this French possession is occupied by Japan, it is feared that, besides being in a position to attack China from the rear, she will in all probability direct her next move against the Dutch East Indies. It is the opinion of the Chinese Government, therefore, that the *status quo* of Indo-China as well as that of the Dutch East Indies, must be safeguarded if peace in the southern Pacific is to be maintained.

In view of the extreme gravity of the situation, it is felt that a definite declaration of policy by the American Government in respect of Indo-China, either in a public statement as in the case of the Dutch East Indies or in a confidential communication to the Japanese Government, may yet prove effective in forestalling Japan's threatened action against Indo-China.⁶⁰

[WASHINGTON,] June 22, 1940.

893.24/752 : Telegram

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

CHUNGKING, June 23, 1940—11 a. m.

[Received 11:20 a. m.]

287. During a call on the Minister for Foreign Affairs⁶¹ June 22 he informed me that the ban on export of gasoline imposed by the Government of Indo-China on June 17 and on all other commodities two days later would have a very serious effect on China's military resistance to Japan. He pointed out that Japan had centered its pressure on Great Britain as the result of the Tientsin dispute and on France in the matter of through shipments of materials. He was informed that France had already followed the lead of Great Britain at Tientsin and he fully expected that the Japanese would endeavor to induce Great Britain to adopt measures in Burma similar to the French measures in Indo-China. If that step succeeded, China's situation would be one of the greatest gravity. He inquired whether the American Government would be able to take any remedial measures.

I replied that the American Consul at Hanoi had reported matters fully to the Department and that I could not see at the moment

⁶⁰ In telegram No. 280, June 21, noon, the Ambassador in China reported that on June 20 the Chinese Vice Minister for Foreign Affairs made a similar statement informally to a member of the American Embassy in China (893.24/749).

⁶¹ Wang Chung-hui.

what our Government could do, especially if the French authorities were to requisition China's supplies and offer to pay for them. The Minister for Foreign Affairs shared the common belief here that Japan would probably occupy at least northern Indo-China with troops. The Minister stated that it had been his intention to address a note to me on the matter of the embargo in Indo-China but in view of my request for an interview he would not write; he hoped I would nevertheless telegraph the substance of his observations to the Department and said he would be grateful to learn the Government's reaction.

Sent to the Department. Repeated to Peiping.

JOHNSON

893.24/758 : Telegram

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

CHUNGKING, June 24, 1940—9 a. m.

[Received 1:35 p. m.]

290. My 289, June 23, 1 p. m.⁶² General Chiang first attempted to elicit my views on various phases of the European war and then to review what reactions to those developments I thought was [*likely?*] in the Far East. I answered that it might logically be inferred that the Japanese demand on France to closing of the transportation routes through Indochina was the result of the capitulation of France to Germany—he concurred and then introducing the more formal portion of the interview he said that in asking me to call he had two subjects to discuss. The first was to inform me that he had sent T. V. Soong⁶³ to the United States with a personal letter from General Chiang to the President.⁶⁴ He asked that I report this and communicate his hope that the President would accord Soong an opportunity to present the letter and confer with him.

2. General Chiang said the second subject was the action of the French in closing transportation routes through Indochina not only to munitions but to other categories of freight. He asserted that China had with France a treaty⁶⁵ that specifically granted China the right to import munitions through Indochina, but that China out of consideration for France's difficulties had found other channels for the importation of munitions of war and had used the Indochina route for other commodities. However, now that the French Government had yielded to the demands of Japan and had forbidden the trans-

⁶² This telegram reported that Generalissimo Chiang had invited the Ambassador to call (893.24/753).

⁶³ Chairman of the board of directors, Bank of China; see also pp. 636 ff.

⁶⁴ Not found in Department files.

⁶⁵ Convention concerning the relations between the two countries with regard to French Indochina and the adjacent Chinese provinces, signed at Nanking, May 16, 1930; League of Nations Treaty Series, vol. CLXII, p. 99.

portation through this area of all articles purchased by the Chinese Government and had even consented, as he was informed, to the stationing of 20 Japanese inspectors in Indochina to enforce these demands, the Chinese Government had addressed or intended to address a note to the Government of Indochina demanding the restoration to China of all rights granted by treaty. He asked my view regarding this step. I replied that I felt that he was clearly entitled to claim implementation of treaty stipulations bearing on the subject, but that lacking information regarding the precise form the embargo on exports to China had taken I hesitated to go into further details. General Chiang referred to the representation addressed by the American Government to the Japanese Government⁶⁶ protesting against the bombing of the French railway, among the grounds for protest adduced being the fact that the railway was the route over which American commerce with China was conducted. He said that the Chinese communication would not rely solely on a similar argument, but would specifically demand fulfillment of its treaty right to transport munitions. He then said that he was grateful for the earlier step taken by the American Government and he earnestly hoped that on this occasion the Government would again take some measure in support of the Chinese position as expressed in the projected communication to the French authorities.

3. General Chiang said that as a second measure in face of the present situation the Chinese Foreign Office would issue in a day or two a statement that the Chinese Government would counter with military force wherever possible following military measures taken by the Japanese in any island adjacent to Asia or on the continent of Asia. He was convinced, he said, that the Japanese intended to send armed forces into Indochina in order to enter China over that route and if they did China would send armed forces to oppose them.

4. In this interview Chiang did not ask for sympathy on our part nor did he even allude to the apparent complete closing of all important routes for the importation of supplies that are vitally essential for continued resistance, but the intensity of his voice and manner in making the observations summarized in the preceding paragraph evidenced his realization that a crisis had been reached in China's long war of resistance.

5. The Chinese Government radio station this morning released an apparently inspired statement embodying the purport of Chiang's remarks set forth in paragraphs 2 and 3 and referring to the treaty with France as concluded September [May] 16, 1930.

Sent to the Department, repeated to Peiping, latter mail to Tokyo.

JOHNSON

⁶⁶ Dated January 31, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 674.

851G.01/20 : Telegram

The Consul at Saigon (Flood) to the Secretary of State

SAIGON, June 24, 1940—7 p. m.
 [Received June 24—12: 50 p. m.]

British authorities here expect that their Government will cooperate with Indo-China as closely as possible and that in any event French and British naval units in the Far East will work together. However, they believe that because of existing commitments the additional obligations which Great Britain may feel capable of actually assuming with regard to Indo-China will depend to a considerable degree on the position of the United States. Any positive statement or move by the Government of the United States would make possible a stronger stand and would be welcomed by both British and French authorities.

Sent to naval radio Cavite for repetition to the Department, Chungking, Hong Kong, Shanghai. Shanghai please repeat to Tokyo.

FLOOD

893.24/757 : Telegram

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

TOKYO, June 24, 1940—10 p. m.
 [Received June 24—5: 30 p. m.]

491. Japanese advice to the British Government to stop shipment of supplies to Chiang Kai Shek Government from Burma and Hong Kong.

1. My British colleague has just given me the following paraphrase of two telegrams sent to the Foreign Office in London today.

“Paraphrase of the telegram sent to the Foreign Office 24th June. Vice Minister asked me to call today and acting for Minister for Foreign Affairs who was engaged on another urgent matter, communicated memorandum in regard to transit of supplies through Burma, of which translation is given in my immediately following telegram. In answer to my inquiry whether this communication was based on any rule of international law, Vice Minister replied in the negative, adding that the memorandum was to be regarded as a friendly communication (not a ‘demand’) designed to obtain our cooperation in a matter which [has] such a serious effect on Anglo-Japanese relations. He did not dispute my further assertion that the Japanese Government were, in fact, asking us to commit an act which, even if a state of war had been declared, would in [effect involve His Majesty’s Government in an?] un [neutral position?]. He observed, however, that in the present state of affairs Japanese public opinion could hardly be expected to watch with equanimity the pas-

sage of large stocks of munitions which were enabling the Chungking régime to maintain its resistance against Japan. (End of paraphrase)

2. Vice Minister also made reference to passage of war material via Hong Kong, to which I replied that export of munitions had been forbidden since January 1939 and that as regards such things as trucks and oil exports in the past year had been insignificant.

3. I undertook to transmit Japanese request to Your Lordship and Vice Minister stated that Japanese Government would much appreciate an early reply both on this question and on the question of the withdrawal of Allied troops from Shanghai.

(Begin paraphrase of second telegram to the Foreign Office.)

Whereas the transport of arms, ammunition and other military supplies to the Chungking Government via Burma is still being actively carried on, the Imperial Japanese Government, for reasons of necessity connected with the prosecution of military operations against the Chungking Government, are unable further to overlook a continuance of the transport of the above-mentioned articles. Accordingly they request that the British Government will ultimately give effect to measures necessary to put a stop to the transportation via Burma not only of arms and ammunition, but also of transport supplies such as fuel, especially gasoline, trucks and railway materials."

While the Japanese note is not so severe as was suggested in the press, it is of interest that the Japanese have requested that an early reply be made to the friendly advice that armed forces be withdrawn from Shanghai.

GREW

851G.01/22 : Telegram

The Consul at Saigon (Flood) to the Secretary of State

SAIGON, June 25, 1940—6 p. m.

[Received 9:45 p. m.]

Consternation describes the general reaction of the French here to the terms of the armistice imposed by Germany as published in press today.

French veterans comprising about 20% of the Europeans are agitating by unsigned circular for support of "provisional De Gaulle government," emphasizing the urgent need for British and American naval assistance to maintain the *status quo* of Indo-China. Highest local French naval authorities view with deepest concern as a flagrant and studied infringement on sovereignty the arrangement whereby Japanese army and naval officers are to be permitted to inspect transportation in Tongking notwithstanding official statements that transit shipments to the Chinese Government have been stopped. They point out grave danger of possible resulting incidents and express ardent

hope that something may be done by the United States to divert threatening power before it is too late. They emphasize at the same time urgent need of airplanes and ammunition from the United States.

Sent to naval radio Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai. Shanghai, please, repeat to Tokyo.

FLOOD

893.24/759 : Telegram

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

TOKYO, June 25, 1940—7 p. m.
[Received June 25—10:26 a. m.]

493. Our 481, June 20, midnight.

1. A communiqué issued this morning by the Navy Department reads in translation as follows:

"It has been decided that a portion of the South China Fleet will be despatch[ed] to Haiphong to observe the transportation of cargo through French Indochina."

2. We are informed by the French Embassy that an understanding was reached yesterday evening between the French Embassy and the Japanese Government that one Japanese warship, a mine sweeper, would proceed to Haiphong to transport Japanese officials who are to supervise the movement of cargo from French Indochina to China.

GREW

893.24/758 : Telegram

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

WASHINGTON, June 26, 1940—6 p. m.

109. Your 287, June 23, 11 a. m., 289, June 23, 1 p. m.,⁶⁷ and 290, June 24, 9 a. m.

1. In such manner as you may deem appropriate please inform General Chiang that I look forward with pleasure to seeing Mr. T. V. Soong following his arrival in Washington and that I shall be pleased to endeavor to have arrangements made for him to call on the President.

2. Please also inform General Chiang to the effect that the Chinese Ambassador here has brought to the attention of the Department the subject of developments in and relating to Indochina⁶⁸ and that I have personally given and shall continue to give those developments most careful consideration. You might also make reference to the

⁶⁷ Telegram No. 289 not printed.

⁶⁸ See memorandum of June 21, p. 661.

comments which I made at my press conference on June 22 (see radio bulletin 149)⁶⁹ at which time I referred to previous statements setting forth the views of this Government in regard to questions which had arisen in the region of the Pacific.⁷⁰

Sent to Chungking. Repeated to Peiping.

HULL

756.94/153: Telegram

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

TOKYO, July 1, 1940—6 p. m.

[Received July 1—10:50 a. m.]

523. 1. My Netherlands colleague has just handed me a translation of the Japanese reply referred to in our 508, June 28, 8 p. m.⁷¹ A summary of the reply follows in a separate telegram Number 524, July 1, 7 p. m.⁷¹

2. In discussing this matter my Netherlands colleague observed that while the Netherlands East Indies was very glad of the opportunity to increase the sale of its products, nevertheless the large quantities required by Japan of certain commodities would amount to a virtual monopoly in these commodities in favor of Japan and to the exclusion of other countries. He felt that the Japanese would undoubtedly increase their demands in the future and that the Netherlands Indies which had in the past scrupulously observed a policy of serving all customers on a basis of equality might be embarrassed at finding themselves in a position unable to supply the demands of certain countries in this connection and he mentioned the requirements of the United States in the matter of tin, rubber, et cetera.

3. As an indication of the possibility of future increased demands, General Pabst said that in his conversation with Mr. Tani on June 29, the latter observed orally that in view of the annual output of 7,000,000 tons of oil in the Netherlands East Indies Japan would expect to receive 2,000,000 tons instead of the 1,000,000 tons already requested in writing. In this connection the Minister understands that Japan

⁶⁹ The Secretary of State dealt in part with questions relating to the Government's policy in regard to change in the *status quo* of the Pacific area; recalled his statements of April 17 and May 11 concerning the Netherlands East Indies, (*Foreign Relations, Japan, 1931-1941*, vol. II, pp. 281 and 285); and, answering a further inquiry, "referred to this Government's previous public statements and notes to governments in the Pacific area, which had given fully our views on all questions which had arisen in the Pacific" and said "he would prefer merely to call attention to these previous statements, rather than undertake at the present time to restate their substance."

⁷⁰ In telegram No. 304, June 29, 9 a. m., the Ambassador in China reported having delivered the Department's message orally to Generalissimo Chiang on June 28 (893.24/765).

⁷¹ Not printed.

is taking no more oil from the Standard and Texas Companies in view of the desire to be independent of American oil.

4. The Minister said that he does not know what the reply of his Government to the Japanese demands will be but he regards this situation as critical when viewed in the light of the Foreign Minister's radio address on June 29⁷² and the present temper of the military and other Japanese extremists.

GREW

741.94/429

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 5, 1940.

The British Ambassador called at his request and said that Japan was seriously threatening war against Great Britain and that he would like to know whether I had any comment to offer on the situation. I replied that I would not undertake to offer advice. I stated that one way of dealing with the threatened attack would be to devise parleys and protract the situation, adding that this was as a rule entirely feasible.

C[ORDELL] H[ULL]

893.24/771 : Telegram

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

TOKYO, July 7, 1940—9 a. m.

[Received 11:15 a. m.]

544. Our 542, July 5, 6 p. m.,⁷³ paragraph No. 3. As the question of the taking by Japan of military initiative against Great Britain in the event of British refusal to close the Burma route is not being discussed in the press and as there is no other forum for the ventilation of thought on this and similar questions, one's views with regard to the possibility of Japan's readiness to risk a war with the British Empire over a matter of comparatively small practical importance depends to a large degree on one's personal contacts with Japanese individuals. Craigie has recently been under strong pressure from his Japanese friends and acquaintances. I happen to know that one Japanese who had excellent contacts and had been friendly and helpful to Craigie sent Craigie a few days ago a scathing attack on British policy. Craigie's opinion that refusal to close the Burma route would be

⁷² See telegram No. 518, June 29, 5 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 92.

⁷³ Not printed.

certain to bring about war between Great Britain and Japan may prove to be a correct assessment, but it needs to be remembered that the circumstances in which he is placed do not favor his correctly weighing certain considerations both pro and con as follows:

(a) There is always present in situations such as the present the possibility that the Japanese Army may take matters into its own hands.

Cutting off supplies to China from Burma is daily being featured in the press, but whether this press agitation is designed to impress the British or to prepare the Japanese public for military action against the British Empire is a matter for speculation only.

(b) The Japanese are well aware that Great Britain is now impotent in the Far East.

(c) The prospects of Great Britain's escaping defeat at the hands of Germany are regarded by the Japanese as remote.

(d) It follows from (b) and (c) that the blandishments of Germany are becoming increasingly effective with the masses in this country.

As against these considerations, I would present (1st) the fact that an act of war by Japan against Great Britain would align Japan conclusively with the Axis and would be a powerful stimulant for the entry of the United States into the war; (2d) the quantity of arms transported over the Burma route even if the exaggerated Japanese estimate of 5000 tons per month were correct is trivial and Japanese officialdom is aware that the approaching rainy season will make the road impassable for the next several months; (3d) the Japanese [apparent omission] by force and cannot offer the Soviet Union sufficient inducement to stop the third and by far the most abundant source of military supplies to China. These facts would seem to indicate that the principal purpose of the Japanese move is to strike at Chinese morale and question arises whether a project so speculative in aim would warrant the heavy risks of a war with the British Empire.

As indicated in my various telegrams of the past few weeks, recent events in Europe are having their inevitable repercussions in this country and some clarification of Japanese policy perhaps with the gravest consequences is capable of taking place at any time. After weighing all considerations involved, the view would seem to be warranted on balance that if an act of war is committed by Japan against the British Empire it would be the signal for the downfall of the present Cabinet. The fact that the Cabinet is still able to withstand attack is, I believe, an indication that no decision of a drastic character has as yet been taken.

GREW

851G.01/31 : Telegram

The High Commissioner in the Philippines (Sayre) to the Secretary of State

MANILA, July 8, 1940—6 p. m.
[Received July 8—11 : 20 a. m.]

433. On June 27 Marc Chadourne, French Chargé de Mission of the Government of French Indochina in the east, informally supplied to me the contents of a telegram which he received June 26 from Admiral [*General*] Catroux, the Governor General of Indochina. According to Chadourne, the Governor General stated in that telegram that he did not intend to join a new French Government (then reported in the press to be in course of establishment in London), that he had issued a proclamation June 19 declaring Indochina would remain French and that he did not mean to lower the colors; that it imparted that this declaration was for Germany, Italy and Japan; that he had informed the British Government that he intended to remain faithful to the alliance and to particular agreements; that he intended to send a mission to America for the purchase of arms; that he needed credits and desired to have the holdings of the Bank of French Indochina in the Americas unfrozen; and that the arms which he intended to buy would be for the protection of Indochina from Japanese aggression. Chadourne requested that this information be sent informally to Washington. He was informed that such a communication ought properly to go through the French Government to the French Ambassador at Washington.

2. While a telegram embodying the foregoing was being coded, a report was published in Manila that a new Governor General (Admiral Decoux⁷⁴) had been appointed Governor General of French Indochina and Chadourne requested that the contents of his communication not be sent until he heard further in regard to the matter.

3. Chadourne has now received a further telegram from Catroux stating that he would like to have the contents of his previous telegram transmitted informally to Washington and repeating that he desires to arm Indochina with the view to being able to resist any aggression. Admiral [*General*] Catroux states that he is following a policy of appeasement vis-à-vis Tokyo, that the Japanese mission now in Indochina appears to be animated by good will but that he fears that there may be some coups on the part of the Japanese military in Canton and that he intends to preserve Indochina pending the arrival of Admiral Decoux. Chadourne states that a high official of the Ministry of Colonies is en route from France to Saigon and

⁷⁴ Commanding French naval forces in the Far East.

Chadourne believes it not unlikely that Admiral [*General*] Catroux will continue indefinitely as Governor General.

SAYRE

893.24/782 : Telegram

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

TOKYO, July 9, 1940—6 p. m.

[Received 9:25 p. m.]

555. Our 549, July 8, 8 p. m.⁷⁵

(1) My British colleague has made available to me the series of telegrams which he sent to his Government reporting in detail his interview with the Japanese Minister for Foreign Affairs yesterday. The following is a résumé of the salient points in these telegrams.

(2) At the end of the interview which lasted some 2 hours it was agreed that no communiqué should be issued but that the press should be told that Craigie had communicated to the Japanese Government the British Government's reply to the question concerning shipments of materials through Hong Kong and Burma;⁷⁶ that in respect of Hong Kong the British Government considered the Japanese requirements had already been met as no war materials were in fact crossing the frontier; that as regards Burma, the British Government had drawn to the attention of the Japanese Government the difficulties which existed in complying with the latter's request especially with regard to Yesoma [*Burma*] and India whose legitimate interests would suffer if the trade were prohibited; and that the Japanese Government were disappointed in the British reply and invited a reconsideration. [It would be] made clear that discussions would go on.

(3) The Minister for Foreign Affairs expressed keen disappointment at the nature of the reply. He inquired whether the British reference to the Hong Kong frontier had reference only to the land frontier and whether the export of war material by junk was to be permitted in which case it would be incorrect to assume that the Japanese requirements had been met. Craigie replied on his own initiative that he took the word frontier to include both sea and land frontiers but added that he would refer the matter to London. In doing so Craigie reported that he had felt it essential to assure the Minister for Foreign Affairs that the Japanese requirements at Hong Kong were being met especially in view of the bad impression caused by the British reply in the Burma question and he recommended to

⁷⁵ Not printed.

⁷⁶ A copy of the British reply to Japan, supplied by the British Foreign Office, was transmitted by the Ambassador in the United Kingdom in his telegram No. 2033, July 6, 8 p. m. (893.24/772).

London that if in fact materials were being permitted to leave for Chinese ports by sea, these exports be stopped.

(4) With reference to the Burma Road, the Minister for Foreign Affairs observed that the British reply did not provide an answer to the Japanese contention that Indochina traffic would probably be diverted to the Burma route. Craigie stated that experience had shown that there was practically no chance for such a diversion during the rainy season. Referring to the British statement that the quantity of war material over the Burma route from the United Kingdom was "insignificant" and would be likely to remain so, the Minister for Foreign Affairs asked whether "war material" included trucks, fuel, et cetera, and upon receiving an affirmative reply he inquired whether the Japanese might take the assurance that these exports from the United Kingdom would remain insignificant. The British Ambassador said that he could not go beyond the statement that it was "likely to remain so".

(5) The Minister for Foreign Affairs inquired whether the American Government had been consulted on the point contained in the concluding passage of the British reply in regard to the desirability of early conclusion of a just and equitable peace between Japan and China. The British Ambassador replied that the American Government had not been consulted with regard to the terms of the reply on the Burma Road question but that there had been unofficial exchanges of views from time to time and that Mr. Arita might assume that the British Government would not have expressed the views under reference if it had felt that they would have been unacceptable to the American Government.

(6) With regard to the concluding passage in the British reply in our immediately following telegram 556 July 9, 7 p. m.,⁷⁷ a paraphrase of Craigie's separate telegram bearing on this subject [apparent omission].

(7) The Minister for Foreign Affairs added the following general observations in the course of his conversation with Craigie:

(a) It was Arita's firm belief that the Chiang regime was about to collapse and he strongly doubted whether it was advisable for the British to continue to give that regime assistance, thus steadily arousing growing Japanese animosity.

(b) He deprecated any arguments based on normal conceptions of neutrality in view of the fact that in the world today "strict neutrality" had ceased to exist as most states were busily engaged in assisting one or the other of the belligerents.

(c) While appreciating the difficulties facing the British and the Japanese Governments, he wished to make a practical suggestion, namely, that the Burma Government "for reasons of public order"

⁷⁷ *Post*, p. 395.

impose a temporary ban on transit of war materials. He suggested that this might mean a ban for a month or two to be prolonged as necessary. He pointed as an analogy to the evacuation of women and children from Hong Kong for purposes of public order.

(8) Craigie did not report his replies on the foregoing points but stated that he would refer suggestion (c) to London, pointing out the difficulties involved.

(9) The Minister for Foreign Affairs in conclusion again expressed his keen disappointment at the British "refusal" of the Japanese request. Sir Robert rejoined that he had not noticed the use of the word "refusal" in the document, that it was a friendly explanation of the difficulties with which they were faced and that he felt the proper course would be to discuss the whole question of these difficulties on a broader basis, [dispassionately?] and constructively as in the case of the *Asama Maru*.⁷⁸ Arita replied that the Japanese people were in no mood to put up with "procrastination". Craigie took exception to such a characterization of the British attitude which was genuinely anxious to reach an early and friendly settlement of the whole question.

(10) The Minister for Foreign Affairs remarked that he was being widely attacked as pro-British and pro-American; that he was ready to continue discussions but that the Japanese were determined to put an end to the Burma traffic and he feared that a very serious anti-British outburst would be provoked if the conversations went on for more than a week or 10 days; he therefore hoped that serious consideration would be given to his suggestion under (7) (c) above.

GREW

893.24/835

*The Chinese Ministry for Foreign Affairs to the Chinese Embassy*⁷⁹

[CHUNGKING,] July 10, 1940.

The Japanese have expressed great dissatisfaction with the reply of the British Government on the Burma route question, and are now clamouring for further pressure to be brought against the British.

We earnestly hope that the American Government will immediately make known its attitude so as to strengthen the stand of the British Government. In our opinion, the American Government can make it clear that the rights of free passage of American goods through Burma to China must be respected, and that if these rights are in any

⁷⁸ See British Cmd. 6166, Japan No. 1 (1940): *Correspondence Between His Majesty's Government in the United Kingdom and the Japanese Government Regarding the Removal of German Citizens From the Japanese Ship "Asama Maru"*.

⁷⁹ Translation of telegram sent by hand on July 12 to the Department by the Chinese Embassy.

way prejudiced by Japanese action, the American Government will be prepared to retaliate by the strict enforcement of an embargo against Japan (which may include scrap iron and petrol).

Such a stand on the part of the American Government will have a halting effect on the Japanese and thus enable the British Government to resist the demands of the Japanese.

740.0011 European War 1939/4608 : Telegram

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

CHUNGKING, July 12, 1940—9 a. m.

[Received 1:23 p. m.]

338. I called upon General Chiang at his request July 11, 6 p. m. and he introduced without any preliminary conversation what was obviously the subject on which he desired to consult me. He said that the Japanese War Ministry was pressing the Japanese Government most urgently to declare war against Great Britain and he felt that two steps within the power of the United States to take would be sufficient to prevent such a declaration which otherwise seemed inevitable, but he emphasized that in his opinion these measures would be effective in [direct?] ratio to the promptness with which they were taken; they were (1) an indication to the Japanese that interference with our right to trade with China over the Burma road would be in fact an embargo upon our trade which we would counter with general embargo of Japanese trade, and (2) a warning that a declaration of war would be followed by the imposition of an embargo against exports to Japan. I commented to him in regard to [the fact?] that our laws would automatically impose great restrictions on exports to Japan and regard to the first step suggested I expressed doubt whether our Government would feel able to make any statement that might appear to the public calculated to lead the United States closer to involvement in the war. I promised General Chiang, however, that I would telegraph to the Department the observations he had just made.

Sent to the Department. Repeated to Peiping. Latter repeat to Tokyo.

JOHNSON

893.24/849

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 12, 1940.

The British Ambassador called at his request. He said that the Japanese Government would at any time declare war on Great Brit-

ain unless Great Britain should close the Burma road, especially to the importation of arms, ammunition, and implements of war, including gas, trucks, et cetera; that the British Government was proposing to close the road for three months to any larger volume of freight than that existing one year ago; that this latter period was during the rainy season when imports, including war supplies, were very limited and small in volume.

2. The British Government, he said, as an alternative⁸⁰ would suspend the transportation of all war materials for three months. This 3-months period under the British proposal was to be devoted to an effort at a general settlement of the Japanese-Chinese situation, and apparently with British collaboration or mediation. I expressed much regret and disappointment at such a proposed course, not only on account of the blow that would result to China in the general contest with Japan, but on account of the interest this Government, engaged as it is in international commerce, has in seeing all arteries and channels of trade kept open.

C[ORDELL] H[ULL]

893.24/837

Memorandum by the Adviser on Political Affairs (Hornbeck) of a Conversation With the Chinese Ambassador (Hu Shih)

[WASHINGTON,] July 12, 1940.

The Chinese Ambassador called on me at his request, this noon. He handed me a paper on which there was what he described as a "rough translation" of a telegram⁸¹ which he had received this morning from the Chinese Ambassador in London⁸²—in which the Chinese Ambassador stated that he had had a conversation with the British Minister for Foreign Affairs and the Minister had stated that the British Government was making to the Japanese Government a promise to suspend temporarily arms traffic on the Burma road; the Minister had said that they did this with regret, that, having been unable to obtain assurances of support from the United States and being unable by themselves to make resistance, they had no alternative.

The Ambassador said that he had another telegram from the Chinese Ambassador in London in which that Ambassador inquired whether there was not something which the United States might do—either

⁸⁰ In telegram No. 572, July 12, 11 p. m. (893.24/786), the Ambassador in Japan transmitted the text of an oral statement which the British Ambassador left that afternoon with the Japanese Minister for Foreign Affairs. It contained the proposal set forth in this paragraph. The text of the agreement to this effect on July 17 was transmitted to the Department by the British Embassy with a note of July 20 (893.24/823).

⁸¹ Not printed.

⁸² Quo Tai-chi.

by way of stiffening up the British Government or of restraining the Japanese Government.

There followed some discussion of the world situation and of the problems to which the American Government is compelled to give consideration.

The Ambassador then said that he wished to speak with all the seriousness of which he was capable: he said that he feels that he has kept well abreast of and reasonably well understands the situations both in China and in the United States, and the currents and trends in both countries; he adverted to the fact that he has never pled with the American Government with over-emphasis and he has for the last two years maintained a constantly optimistic attitude regarding the potentialities of Chinese resistance and he has constantly encouraged his Government to maintain that resistance and to expect a favorable outcome; he said that now, with the closing of the railway to Indochina and the impending closing of the highway from Burma, China's situation becomes gravely difficult and the problem of maintaining Chinese morale and China's will to resist becomes critically difficult. He hoped that the American Government would discover some way by which it could make a contribution of influence in this situation toward preventing a breakdown of Chinese morale and toward restraining and holding back Japan. He said that the situation called for something more positive than mere words of encouragement, something more positive than mere promises of financial assistance to China. He hoped that we would think of something and that we would find ourselves able to take some action.

My comments will be offered in a separate memorandum⁸³

S[TANLEY] K. H[ORNBECK]

851G.01/34: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, July 14, 1940—4 p. m.
[Received July 14—12: 50 p. m.]

My telegram dated July 7, 4 p. m.⁸⁴

1. There has been little change in the situation although the Japanese are much more in evidence. The number of Japanese connected with the various missions is more than quadruple that originally envisaged by the authorities of Indo-China and the number is increasing. Japanese planes have flown over fortified zones repeatedly and Japanese vessels are noted frequently off the coast.

⁸³ Dated July 13, p. 583.
Not printed.

2. Traffic with China continues to be at a standstill but a meeting of the commission for the control of transit scheduled for tomorrow will possibly result in permission to transport certain commodities, none probably of interest to American interests. The Japanese are understood to have expressed dissatisfaction with the continuance of the China National Aviation Corporation air service to Hanoi.

3. The reported agreement between the Governor General and the British admiral (at Saigon on June 28) for the maintenance of Anglo-French relations in the Far East is apparently continuing to operate despite anti-British feeling. Governor General is still noncommittal as to his recall but it is believed that his policy is to avoid a break with the home government so as not to give the Japanese a pretext for intervention.

Repeated to Chungking, Peiping, Hong Kong.

REED

893.24/848

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 15, 1940.

The British Ambassador called at his request. He inquired whether this Government, in connection with the British agreement with Japan regarding the Burma road, would be disposed to assist by making some statement about the difficult situation the British are in and their purpose to develop some permanent understandings of a generally useful character. I promptly discouraged any such idea and referred to my other talk with him on July 12 about the Burma road.

I also said that with respect to efforts to bring about any improvement in the relations between Japan and China, about which the British were talking, this Government, as I had often said to the Ambassador, has kept entirely separate and apart from other governments in dealing with such matters; that it maintained its entire freedom of action; and when taking steps in the nature of collaboration it acted along parallel lines, and not jointly with other governments.

C[ORDELL] H[ULL]

893.24/790 : Telegram

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

TOKYO, July 16, 1940—4 p. m.

[Received July 16—10:38 a. m.]

583. 1. In conversation with the Counselor⁸⁵ on July 13 the British Ambassador stated "it was hoped" the 3 months during which traffic over the Burma route would be suspended would provide an oppor-

⁸⁵ Eugene H. Dooman.

tunity for bringing out a general settlement of Far Eastern problems. He said that he was then preparing a plan of settlement which he would shortly lay before his Government and would make available to me a copy of his as soon as it was telegraphed to London. He has today sent me a copy of a telegram which he sent to London on July 14. The salient features of this plan are as follows:

(a) The underlying idea of any adjustment of the conflict between Japan and China should be that the powers having possessions in the East should be prepared to make certain concessions to Japan as a means of purchasing a generous peace for China;

(b) In considering the nature of the inducements which should be offered Japan, consideration should be given to the grievances harbored by Japan, the most important of which are (1): Rejection of racial equality at Versailles;⁸⁶ American attitude toward Japanese immigration;⁸⁷ (2) British Empire preferential duties, quotas, and other measures restricting Japanese exports; (3) refusal by the United States and Great Britain to grant credits for purchases by Japan of primary commodities, and covert threats by those countries of embargoes against Japan.⁸⁸

(c) Rather than territorial gains Japan wants privileges which would give her approximately as much economic advantage as would territorial sovereignty. She is likely to require: (1) some arrangement approximating free trade, an arrangement which would guarantee to Japan at all times an adequate share of the materials produced in the Netherlands East Indies, Indo-China, and possibly other regions in the south seas and a corresponding market for Japanese exports; (2) immigration quota into the United States and British territories and a liberal policy in respect of the entry and residence of Japanese subjects in Netherlands East Indies and French Indo-China; (3) concessions for the exploitation of raw materials in the Indies and Indo-China; (4) tariff and quota concessions to Japanese goods in American and British territories; (5) credits for the financing of essential imports into Japan (particularly during the transition stages as Japan moves away from a closed economy within the yen bloc to a policy of normal interchange of goods with foreign countries).

(d) The implementation of any such plan as that above outlined would obviously require the participation of the United States and of certain other countries.

2. The British Ambassador discusses in the same telegram the question of political stabilization of the Pacific area. He expressed doubt whether any non-fortification agreement would be desirable or feasible without simultaneous agreement on limitation of naval armament. He does not believe that Japan would enter into an agreement with re-

⁸⁶ See statement by Baron Makino, Japanese plenipotentiary delegate to the Paris Peace Conference, on April 28, 1919, *Foreign Relations*, The Paris Peace Conference, 1919, vol. III, p. 289; cf. discussion of the Council of Four (Japan not being present), April 28, 1919, *ibid.*, vol. v, p. 317 (Mr. Balfour's report of conversations with Japanese delegates).

⁸⁷ See *Foreign Relations*, 1924, vol. II, pp. 333 ff.

⁸⁸ Cf. pp. 565 ff.; also *Foreign Relations*, 1939, vol. III, pp. 475 ff.

gard to the *status quo* of the Netherlands East Indies as an isolated arrangement, but he suggests the desirability of incorporating into bilateral agreements with Japan, as part of the general plan of settlement above outlined of Far Eastern questions, the various unilateral declarations which have been made with regard to the *status quo* of the Netherlands East Indies, these bilateral agreements with Japan to apply to other territorial [holdings?] in Asia of the United States and of European powers.

3. There is internal evidence in the British Ambassador's telegram under reference that the telegram is responsive to certain queries put to him by his Government. We assume that Sir Robert's plan flows out of the statement which the Secretary is reported to have made on June 28 to Lord Lothian that the American Government would be prepared to study proposals for peace formulated by the British Government which would not represent a compromise at the expense of China.⁸⁹

GREW

756.94/160 : Telegram

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

TOKYO, July 17, 1940—10 a. m.
[Received July 18—12: 37 a. m.]

593. My Netherlands colleague has been informed by the Foreign Office of the composition of the Japanese commission that is to visit the Netherlands East Indies and he regards it as significant that among the members are an officer of the army and another from the navy and two oil experts from Mitsui.

GREW

894.00/921 : Telegram

The Consul General at Batavia (Dickover) to the Secretary of State

BATAVIA, July 17, 1940—5 p. m.
[Received July 17—10: 38 a. m.]

I have discussed the fall of the Cabinet⁹⁰ and the rise of a presumably fascist party in Japan with several government officials including the Governor General and the Admiral. They all are decidedly apprehensive of future developments in the Far East, [as] Germany, Japan may be preparing to seize this "golden opportunity" to eliminate Western influence and to establish its "new order" in this part of the world. They all desired to know what the United States would do in

⁸⁹ See memorandum by the Secretary of State, June 28, p. 369.

⁹⁰ For resignation of Admiral Yonai's Cabinet on July 16, see telegram No. 590, July 17, 5 p. m., from the Ambassador in Japan, p. 964.

such case, to which I replied that it depends on the will of the people as expressed through Congress. I received the impression that the Netherlands Indies in this period of crisis is more and more hoping for some indication that it will be protected by the American fleet.

DICKOVER

803.24/795a : Telegram

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

WASHINGTON, July 17, 1940—7 p. m.

275. The following is an excerpt from tonight's Radio Bulletin:

"At the press conference this morning, a correspondent referred to a news despatch from Berlin quoting authorized German sources as claiming that the Government of the United States should protest against the British blockade on the same grounds on which it has opposed the closing of the Burma Route to China—the grounds that the blockade involves the closing of trade routes. In reply, the Secretary said that where nations were at war and had the status of belligerents they had a right on the high seas under the limitations of the law relating to contraband to intercept commerce or prevent unneutral acts. He said that an entirely different rule prevailed in the case of a highway running through the interior of nations not at war. A correspondent asked whether, in other words, if Japan wanted the Burma Route closed it would be up to Japan to establish an active sea blockade. The Secretary answered in the affirmative. He added that, as he had said before, the high seas were supposed to belong to everyone, and yet in time of war a belligerent had the right to invoke belligerent rights and prevent contraband from reaching the opposing belligerent, with the result that neutrals even may lose their entire cargoes when they are destined for one belligerent and captured at sea by another. A correspondent asked whether this meant that since no formal state of war existed between Japan and China, Japan did not have the right to blockade the British. The Secretary answered that he had not heard that this right had been invoked by a country which was not at war.

A correspondent said that it had been officially announced today that the British had agreed to close the Burma Route, and he asked whether the Secretary could add anything to his statement of yesterday in this connection.²² The Secretary replied that he had nothing further in mind."

HULL

²² See press release issued by the Department of State, July 16, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 101.

893.24/851

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 18, 1940.

The British Ambassador called at his request. I remarked to him that in making a record of opposition to the closing of the Burma road at the instance of Japan, I did not quite expect a furore in Great Britain, and added that of course our chief purpose was to direct attention to the lawless conduct of Japan. The Ambassador seemed perfectly satisfied about what we had done, without expressly or specifically saying so.

C[ORDELL] H[ULL]

893.24/816

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

CHUNGKING, July 18, 1940.

[Received August 1.]

SIR: I have the honor to refer to my telegram no. 349, July 17, 4 p. m.,⁹³ transmitting a translation of a statement issued by General Chiang Kai-shek in relation to a reported decision on the part of the British authorities to close the so-called Burma route temporarily to the transit to China of certain commodities, and to enclose in this connection a copy of the English text of a statement relating to this general subject issued on July 16, 1940 by the Spokesman of the Ministry of Foreign Affairs; a copy of the English text was made available by the Ministry to the Embassy on July 18, 1940.⁹³

The Spokesman's statement constitutes a considered yet sweeping and damning indictment of the British decision once more to bow to Japanese pressure, and undoubtedly reflects the views of the great majority of enlightened Chinese. The British authorities have in this hour of China's gravest need taken a decision which will be long remembered and deeply resented by all patriotic Chinese.

Respectfully yours,

NELSON TRUSLER JOHNSON

893.24/807 : Telegram

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

WASHINGTON, July 20, 1940—4 p. m.

124. Your 338, July 12, 9 a. m., and 342, July 15, 10 a. m.⁹⁴

1. Please inform General Chiang, as under instruction from the Secretary as follows:

⁹³ Not printed.⁹⁴ Latter not printed.

The situation on which General Chiang's remarks were based has been altered by developments which have occurred since he made those remarks. Consequently no express comment is offered in regard to the specific suggestions which he made. It has been and continues to be the desire and the purpose of the Government of the United States to be helpful when and as appropriate and practicable. The Government and people of the United States realize China's difficulties and continue to regard China's problems and China's welfare and interests with the utmost sympathy and good will. Numerous and very important questions inherent in the situation in the Far East, as they affect the interests of China and as they affect the interests of the United States, have over a long period received and now continue to receive most attentive study by the President, by me, and by other officers of this Government. Recent circumstances have modified neither our hope nor our belief that China's leadership and the Chinese people are moving along lines which will ultimately ensure to China a secure place as an independent and very influential state.

The Chinese Ambassador here is in constant contact with appropriate officers of this Government in regard to developments and he has doubtless reported fully upon his various conversations and the general situation.

2. You may formulate an oral reply to Hsu Mo⁹⁵ on the same general lines but without specific mention of General Chiang or the Secretary.

WELLES

893.24/808 : Telegram

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

CHUNGKING, July 22, 1940—11 a. m.

[Received 2 p. m.]

356. Department's 124, July 20, 4 p. m. I do not feel that Generalissimo expects any replies to statements made to me and reported in my 338, July 12, 9 a. m. The Secretary's statements in regard to closing of Indochina and Burma frontiers⁹⁶ reported in radio bulletins numbers 168 and 169 received wide publicity here and were favorably commented upon. They indicate as nothing else we might say just where we stand. I therefore respectfully suggest that unless Department feels that it is very important it make to the Generalissimo the statements set down in the Department's instruction under reference, the matter of the Department's suggestions to me be permitted to stand uncommented upon.

JOHNSON

⁹⁵ In telegram No. 342, July 15, 10 a. m., the Ambassador had reported the substance of an informal communication from the Chinese Vice Minister for Foreign Affairs (893.24/788).

⁹⁶ See press release of July 16, *Foreign Relations*, Japan, 1931-1941, vol. II, p. 101, and Department's telegram No. 275, July 17, 7 p. m., p. 52.

893.24/808 : Telegram

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

WASHINGTON, July 24, 1940—7 p. m.

126. Your 356, July 22, 11 a. m. In the light of the statement contained in the first sentence of your telegram under reference, the Department would not insist that the messages suggested in the Department's 124, July 20, 4 p. m. be communicated, but the Department feels that their communication might serve a useful purpose. We feel this especially with regard to the last sentence of our numbered paragraph 1. We therefore suggest that, unless you feel strongly that their communication is not advisable, you find early occasions to communicate orally and informally both messages.

WELLES

856D.6363/7564

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

[WASHINGTON,] July 25, 1940.

Mr. Walden⁹⁷ called on Mr. Grady,⁹⁸ Mr. Dunn,⁹⁹ and Mr. Hamilton to discuss the situation confronting the Standard-Vacuum Oil Company in connection with Japan's endeavors to cause the Netherlands East Indies to agree to furnish Japan large quantities of crude oil. Mr. Walden left for our information the attached three cablegrams.¹ He said that the Netherland officials wished the Standard-Vacuum Oil Company to supply from their wells in the Netherlands East Indies 27 percent of the total asked for by Japan, the Dutch Shell interests to supply the remainder, and, if the Dutch Shell interests could not supply the remainder from its wells in the Netherlands East Indies, the Dutch Shell interests would make up the deficit by obtaining supplies from Persia. Mr. Walden said that this reference to obtain supplies from Persia indicated to him very definitely that the British Government was aware of the request made by Japan of the Netherlands East Indies and was willing to cooperate with the Netherlands East Indies in seeing that Japan was furnished with the supplies it wished to obtain. Mr. Walden said that the percentage of 27 percent represented the Standard-Vacuum Oil Company's percentage of total production in the Netherlands East Indies for last year. He pointed out that, if his company declined to agree to furnish a share, as requested by Netherland officials, the Netherland authorities could force

⁹⁷ George S. Walden, of the Standard-Vacuum Oil Company, New York.

⁹⁸ Henry F. Grady, Assistant Secretary of State.

⁹⁹ James C. Dunn, Adviser on Political Relations.

¹ None printed.

the Standard-Vacuum Oil Company to comply or the Dutch Shell interests, with the assistance of Persian interests, could agree to supply what Japan was asking for. Mr. Walden said that ordinarily his company did not ship to Japan crude oil from the Netherlands East Indies. He said that, if Japan succeeded in getting from the Netherlands East Indies the quantity of crude oil which it was requesting, Japan would no longer need to purchase crude oil from the United States.

Mr. Walden several times expressed the view that, if measures should be taken which would make it impossible for Japan to purchase its requirements of petroleum products, the result would be that Japan would move into the Netherlands East Indies.

Mr. Grady, Mr. Dunn, and Mr. Hamilton made various comments, the gist of which was as follows: In general, we did not look with favor upon Japan's obtaining unusually large quantities of petroleum products. It was pointed out that a net result of any such arrangement with regard to the Netherlands Indies as that under discussion would be to divert to the Netherlands Indies that proportion of Japan's oil supply which Japan had previously purchased from the United States. It was pointed out also that in general we would look with favor upon the concerned companies' proceeding, if practicable, in a way which would not assist in making it possible for Japan to obtain unusually large quantities of petroleum products. With specific reference to the Netherlands East Indies situation, it was pointed out that we realized the difficulties of the situation confronting the American company, and there was raised for consideration by the company the question whether, if the company felt that it had to go along in the Netherland proposal, any arrangement entered into might not be of a temporary character for a limited period of time.

During the conversation Mr. Walden mentioned the fact that the Standard-Vacuum Oil Company has a plant in the Netherlands East Indies for the production of aviation gasoline and that the output of the plant was under contract for sale for the next three years to Great Britain. He said that the Dutch Shell interests also had an aviation gasoline plant in the Netherlands East Indies.

M[AXWELL] M. H[AMILTON]

793.94/16080 : Telegram

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

Tokyo, July 26, 1940—4 p. m.
[Received July 26—8: 32 a. m.]

618. Reports just received from our Consuls at Kobe and Osaka indicate the purpose of the Japanese to accumulate large stocks of

aviation gasoline at Hainan Island. They state that the Japanese military have placed orders with the major American oil companies for 550,000 barrels of aviation gasoline to be shipped in drums for delivery in South China and Hainan before October 1st, 1940.

GREW

893.51/7105 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, July 28 [27th?], 1940—3 p. m.

[Received July 27—11:35 a. m.]

The local manager of Texas Oil Company informs me that this morning the Director of the Economic Section of the Government General stated that the Company's transit stocks of petroleum products may be reexported from Indo-China but only to Japan or to Japanese-occupied China.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

893.24/811 : Telegram

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

CHUNGKING, July 28, 1940—11 a. m.

[Received July 28—2:15 a. m.]

366. Department's 126, undated [*July 24, 7 p. m.*]. Message suggested in Department's 124, July 20, 4 p. m. was communicated to Generalissimo during a conversation on the evening of July 27. Generalissimo listened closely and at the end asked whether it was true that aviation gasoline and scrap iron had been placed on list of articles which might not be shipped from the United States without license.² When I confirmed this, he asked me to express to you the appreciation of the Chinese people of this step which he characterized as a helpful step of the kind mentioned in the message above referred to.

I found Generalissimo much interested in possibility of German success against Great Britain and in the situation in the Balkans. He stated that in his opinion Germany was strategically wrong in making an attack on Great Britain.

JOHNSON

² See President Roosevelt's proclamation of July 26, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 216.

756D.94/54

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine) of a Conversation With the Netherland Minister (Loudon)*³

[WASHINGTON,] July 31, 1940.

Dr. Loudon said that after having arranged to see Mr. Ballantine to acquaint him with the contents of a letter from the Governor General of the Netherlands Indies he had received an urgent instruction from his Government asking the Minister either to see Mr. Welles in person or to have the counselor of the Legation see Mr. Welles. In pursuance of that instruction the counselor had already seen Mr. Welles.⁴ Dr. Loudon said that he had instructed his office to let Mr. Ballantine know of this, but, while the office apparently had not done so, he was very glad that Mr. Ballantine had come so that he might emphasize certain observations which he wished to make in connection with the letter.

With this introduction Dr. Loudon proceeded to describe the contents of the letter to him from the Governor General, which he said was dated July 11. The Governor General described the situation in the Far East as serious. International developments had served to give Japan a free hand. British naval forces in the Far East were small and Japan was without any opponent of importance in the Far East. The Japanese group favoring a strong foreign policy were gaining the upper hand (Dr. Loudon noted that this letter was written before the advent of the Konoye cabinet).⁵ Japanese aggression was therefore a certainty. Although strong action by the United States might serve to hamstring Japan, such attitude on the part of the United States was un hoped for. Nevertheless the Indies Government was determined to resist Japan as effectively as it could.

The Minister then proceeded to offer his own comments in regard to the situation. He said that he would speak quite frankly; he did not wish to be understood to be critical of the United States yet what he wished to say was so delicate that he hoped that it would not be made the subject of any written memorandum. The Minister offered two specific suggestions: (1) that it seemed to him that it would be of great moral effect in the present situation if further delay could be avoided in concluding the pending arrangements for the air service between Java and the Philippine Islands; and (2) he hoped that something could be done to avoid the delays which are now being

³ Initialed by the Chief of the Division, Maxwell M. Hamilton.

⁴ No record of interview found in Department files.

⁵ Prince Fumimaro Konoye became Japanese Prime Minister on July 22.

experienced in obtaining permits to ship various war materials and equipment which the Netherlands East Indies Government had ordered in the United States.

The Minister then alluded to the taking of measures by this country against Japan. Although he was vague and indirect in his language on this point I gathered that he was trying to convey his apprehension lest the imposition by us of restrictions on certain exports to Japan might precipitate Japanese action against the Netherlands East Indies.

Dr. Loudon then went on to say that he felt that the situation of the Netherlands East Indies was critical in that the future now lay between two alternatives. The Islands must either become absorbed in the East Asiatic economic bloc or be retained as a source of wealth for the white race. He suggested that the Dutch Government could do much to increase its value for American trade. Although Americans knew of the Indies as a source of rubber and tin he felt that they did not realize its potential importance as a market for American manufactured products. He said that Java was already partially industrialized but if the Indies continued to remain in Dutch hands they could be further developed in the interests of the white race.

The Minister then went on to say that he realized that there was no answer that Mr. Ballantine or anyone in the United States could give him to these various observations which he made. What he was saying was more in the nature of a prognostication of the possibilities which he regarded as of concern to the United States. He then asked Mr. Ballantine in the light of Mr. Ballantine's long residence in the Far East what his estimate of the situation was. Mr. Ballantine referred briefly to reports in the press regarding the nature of the recent cabinet crisis in Japan, which indicated that those elements in favor of a stronger foreign policy were in the ascendency, to the repeated Japanese statements that they considered that the settlement of the China affair was a paramount need, and to the fact that notwithstanding this desire liquidation of the China affair still seemed far from sight. Mr. Ballantine said that while he could not venture to make predictions in view of the many factors involved and the possibility of unforeseen developments, he did not in view of all the circumstances look for any sudden or dramatic action at this time on the part of Japan in directions other than in China. Mr. Ballantine thanked the Minister for the Minister's exposition of the situation in the Netherlands East Indies and said that he would not fail to bring the Minister's observations to Mr. Welles' attention.⁶

⁶ Noted by the Under Secretary of State August 2, and by the Secretary of State on August 3.

756D.94/57 : Telegram

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

Tokyo, August 3, 1940.

[Received August 3—8 a. m.]

657. Press reports this morning General Koiso, former Minister Overseas Affairs prior Konoye Cabinet, offered post Government delegate Netherlands East Indies. Koiso to be given broad powers and highest rank, purpose establish closest political-economic relations on basis common interests, position within great East Asia zone. Koiso en route Tokyo reportedly stated in summary:

“Japan-Manchukuo-China insufficient, construction economic zone great East Asia necessary [including] South Seas. Netherlands Indies long exploited as colony and placed under administrative pressure from moral viewpoint, freeing Oriental races necessary and destined to be realized. Friction with United States may be unavoidable, Japan's resolute determination necessary.”

GREW

756D.94/42 : Telegram

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

Tokyo, August 3, 1940—2 p. m.

[Received August 3—8 a. m.]

658. In our immediately following telegram 659, August 3, 3 p. m. we report the substance of a communication received from Consul Bruner at Nagoya based upon a conversation with Mr. Arthur Thomas Porghesse⁷ who is the subject of the Department's instruction No. 1845, November 25, 1939.⁸ Bruner states that Porghesse probably obtained his information from Takehito Chikui who is Director of the Mutsuwa Shokai which is believed to have been established to further the interests of the younger elements in the Japanese Army. This is probably the case as the views expressed in the following report are undoubtedly held by the younger army elements but they are not necessarily shared by the High Command.

GREW

⁷ A naturalized American citizen.

⁸ Not found in Department files.

756D.94/43 : Telegram

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

Tokyo, August 3, 1940—3 p. m.

[Received August 3—8 a. m.]

659. The following is a paraphrase of a report received from a confidential source.⁹

(Begin paraphrase) The Japanese forces will take over the Netherlands Indies shortly after, but not earlier than September 1, 1940. It is expected that the British will have abandoned Hong Kong by that time but if not they will be forcibly evicted. Certain fundamental steps designed to implement the policy of Asia for the Asiatics will have been carried out by the end of this year. What happens to the Philippines will depend somewhat on the fortunes of war but in any event the Japanese will at an early date establish a protectorate over them in the interest of furthering the new order in East Asia.

The strategy involving the attacks on Hong Kong and the Netherlands Indies has been worked out in detail; the forces have been assigned and instructed, [supply of?] arms and ammunition is in hand, the men and vessels have been selected.

The fate of the Netherlands Indies is sealed whether or not Germany is successful in the battle of Britain, and in either case Great Britain will be unable to act effectively in the East. The United States is notoriously unprepared for war and mere verbal protests will avail nothing.

The actions of the military have been predetermined and the formation of the second Konoye Cabinet can have little effect on them; the Government's foreign policy necessarily follows the military dictates.

Unanimity is lacking in the United States due to the fact that it is election year and American's "clenched fist with no arm to back it up" is a source of ridicule to the Japanese Army and Navy. The Japanese will pursue their divinely appointed course and the United States cannot deter them. (End paraphrase)

GREW

756D.94/55

*The Netherland Legation to the Department of State*¹⁰

The Netherlands Government would highly appreciate it if the American Government could inform the Japanese Government that realization of such Japanese ideas as expressed by General Koiso in his press statement¹¹ would be viewed by the American Government as infringing the *status quo* in the Pacific which in view of the official

⁹ See *supra*.¹⁰ Handed to the Adviser on Political Relations by the Netherland Minister on August 4.¹¹ See telegram No. 657, August 3, from the Ambassador in Japan, p. 60.

American declarations would be objectionable to the United States Government.

The Netherlands Government considers this the only way to keep this matter in the best possible course for the Western nations.

793.94/16099 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, August 4, 1940—8 p. m.
[Received August 5—3:40 p. m.]

255. Chauvel has just informed me that Saint-Quentin has been instructed at 6 p. m. this evening¹² to inform you of a proposal in the nature of a Japanese ultimatum with no time limit under which France would allow the passage of Japanese armed forces in Tongking and the use of Tongking naval and air bases on the ground that such accommodation is imperative because of military necessity looking to the early conclusion of the war in China. It appears that this proposition was discussed recently between the former governor of Indochina and Japanese military officers. The attitude of the governor in the matter displeased the French Government and as the Department is aware he was replaced by Admiral Decoux. Chauvel said that the idea originated with the Japanese High Command at Canton and that General Nishihara has been conducting conversations regarding it in Indochina.

Chauvel said that it is evident that Konoye has no control over the military and that Matsuoka¹³ has been ignored in the present instance. The present proposal made by note to Arsene-Henry in Tokyo in the greatest secrecy offers to France Japanese protection in the Far East and full economic cooperation in that area.

There is no doubt that the offer arouses in the French the greatest repugnance. Baudoin¹⁴ insisted that Saint-Quentin be advised immediately and instructed to ask our Government what support could be given France if it endeavored to resist with the military forces at its disposal in Indochina.

Baudoin suspects that the Japanese action is in concert with Germany. Therefore if France should attempt to resist the French Government may be faced with pressure from Wiesbaden¹⁵ which could be applied in any number of ways and which France obviously is unable to resist.

¹² See *aide-mémoire* by the French Embassy, August 6, p. 63.

¹³ Japanese Minister for Foreign Affairs.

¹⁴ French Minister for Foreign Affairs at Vichy.

¹⁵ Location of German commission supervising the carrying out of terms of the armistice with France.

Chauvel said that he is convinced that the Japanese fleet which proceeded south some days ago has for its objectives both Singapore and Indochina but which was first in the program he did not know.

The conversations on this subject have occurred in Tokyo. Sawada¹⁶ has not participated in them.

MURPHY

756D.94/44 : Telegram

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

TOkyo, August 5, 1940.

[Received August 5—7: 10 a. m.]

664. Our 657, 3d. This morning's vernacular press reports prominently press interview with General Koiso yesterday, summarized translation Koiso's remarks follows:

"Netherlands East Indies produce sufficient quantities petroleum, scrap iron, various ores, rubber et cetera satisfy Japan's needs, have great potential economic strength, and necessary [for] Japan have close economic cooperation. Indies have restricted trade with Japan and refused Japanese immigration. Political aspect of question must be clarified prior to economic cooperation which involves third powers, particularly Germany (now occupying mother country), England and United States (now opposing Japan's expansion), as prerequisite must decide Japanese attitude toward those countries. Am giving thought possible United States firm step regarding southward advance policy but believe necessary include Netherlands Indies and nearby territories with Japan, Manchukuo, China in great East Asia bloc to assure prosperity Far Eastern peoples. Japan morally justified [to] aid areas which have lost their overlords (France and Netherlands capitulated to Germany), southern areas can replace Europe, America, as sources material. Will confer with Premier, War, Navy, Foreign Ministers in joint meeting. Whether negotiate Netherlands Government in England difficult to decide."

Two newspapers report General Koiso's views well known to Cabinet, predict he will accept offer position Japan's delegate Netherlands East Indies after conference Cabinet officials today.

GREW

751G.94/80

The French Embassy to the Department of State

[Translation]¹⁷

AIDE MÉMOIRE

The Minister for Foreign Affairs of Japan sent to the Ambassador of France on August 2nd a note asking authorization, for the Japanese

¹⁶ Japanese Ambassador in France.

¹⁷ File translation revised by the editors.

Government, to have troops intended to fight in China pass through Indochinese territory, to utilize the local air fields and to have forces stationed there, intended to assure the security of the same, and lastly, to be allowed to have the airplanes, ammunition and all matériel intended for the Japanese army pass through. This document also provided for economic agreements the consequence of which would have been the integration, pure and simple, of the Indochinese economy into the Japanese economy.

The Minister declared to Mr. Arsène-Henry that Japan had no territorial intentions with regard to Indochina, but he added that the defeat of Chiang Kai-shek constituted a vital necessity for Japan, that in order to accomplish it the army needed the Tongking route, and that in case of refusal the Japanese Government might find itself obliged to violate the integrity of Indochinese territory.

The Ambassador of France has received instructions to reply that the French Government could not accept such an ultimatum; that it was ready to examine, in a friendly spirit, the needs of the Japanese Government, in the course of a very general exchange of views freely entered into and pursued without haste; that, lastly, the exceptional facilities which might be granted to Japan in Tongkingese territory must have to offset them broader and more precise guarantees than a mere assurance of lack of interest in the territory.

The Ambassador of France at Washington has been instructed to inform the Department of State of the foregoing, *as a very secret matter*. He feels certain that he is not exceeding his instructions by emphasizing that, in case the affair could be handled by means of negotiation, the resistance of the French Government to the Japanese demands would necessarily depend to a large extent on the nature and the effectiveness of the support which the American Government would be disposed to give it.

Mr. de Saint-Quentin adds that the French Government has no objections to the information contained in the present *aide-mémoire* being communicated, still as a very secret matter, to the British Government.

WASHINGTON, August 6, 1940.

751G.94/81

Memorandum by the Adviser on Political Relations (Dunn) to the Under Secretary of State (Welles)

[WASHINGTON,] August 6, 1940.

Acting upon your instructions, I called on the French Ambassador this morning and gave him the oral reply which you had formulated to the Ambassador's *aide-mémoire* of August 6th, on the subject of

the demands made by the Japanese Government upon the French Government with regard to authorization to send troops across Indochina, to use the local air fields in Indochina, to station forces at the air fields for the purpose of assuring their security, and to send planes, munitions, and all necessary material through Indochina destined to the Japanese Army.

I told the French Ambassador that we have been doing and are doing everything possible within the framework of our established policies to keep the situation in the Far East stabilized; that we have been progressively taking various steps, the effect of which has been to exert economic pressure on Japan; that our Fleet is now based on Hawaii, and that the course which we have been following, as indicated above, gives a clear indication of our intentions and activities for the future. I also raised with the French Ambassador the question whether it would be practicable for the French to delay discussions with the Japanese with respect to Indochina for a period. I furthermore told the Ambassador that the British Ambassador had been informed of this matter by you in a most strictly confidential manner and that if the British had any observations or comments to make we would transmit them immediately to the French Ambassador.

Count de Saint-Quentin stated that he felt that this reply to the French request for assistance and support in her negotiations with Japan would very probably not be considered by his Government as sufficient prospect for support to enable them to withstand the pressing demands made by the Japanese Government for the establishment of certain rights in Indochina in addition to the economic demands accompanying the former. He said that he did not think it would be practicable for the French Government to delay the negotiations because the Japanese had themselves stated at the time of making the demands that if the French Government did not acquiesce in the granting of these rights, the Japanese Government had every intention of taking the necessary action to acquire them. He went on to say that in his opinion the phrase "within the framework of our established policies", when associated with the apparent reluctance of the American Government to consider the use of military force in the Far East at this particular time, to mean that the United States would not use military or naval force in support of any position which might be taken to resist the Japanese attempted aggression on Indochina. The Ambassador asked me to convey to you thus his construction of your oral reply conveyed to him through me this morning and his fear that the French Government would, under the indicated pressure of the Japanese Government, be forced to accede to the demands set forth in his *aide-mémoire*.

JAMES CLEMENT DUNN

751.94/123 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, August 6, 1940—3 p. m.
 [Received August 7—1: 18 a. m.]

268. Wellington Koo¹⁸ tells me that he is reliably informed that the German delegates in Wiesbaden have repeatedly emphasized in private conversation with their French colleagues that it would be most unfortunate if France took any action to provoke a conflict with Japan in the Far East.

Koo, who was informed by Baudoin of the current Japanese proposals regarding Indochina, infers that Baudoin's idea in placing the question on the American door step is to enable France after a mild show of resistance in Tongking to submit to Japan as gracefully as possible. The French Government entertains no hope of effective American intervention for the present.

MURPHY

793.94/16099 : Telegram

The Acting Secretary of State to the Chargé in France (Murphy), at Vichy

WASHINGTON, August 7, 1940—11 a. m.

242. Your 255, August 4, 8 p. m. The French Ambassador here has brought this matter to our attention in the strictest confidence with an indication that the French Government would find it helpful to be informed of the attitude of this Government in regard to the matter.

In reply, we have informed the French Ambassador orally and in strict confidence to the effect that we have been and are doing everything possible within the framework of our established policies to keep the situation in the Far East stabilized.

We appreciate receiving the information contained in your telegram under reference.

WELLES

751G.94/82

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

[WASHINGTON,] August 7, 1940.

The Chinese Ambassador telephoned me this noon and read to me over the telephone a telegram of August 6 which he had received from the Chinese Ambassador to France, as follows:

¹⁸ Chinese Ambassador in France.

Cabinet here decided to resist if Japanese attempt landing in French Indochina but in view disparity of opposing forces continuation of resistance depends upon American attitude and action. The French have already put questions to the U.S.A. It is important that the U.S.A. reply should not be negative or too empty.

I thanked the Ambassador for communicating this information to us.

M[AXWELL] M. H[AMILTON]

893.24/821 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, August 7, 1940—1 p. m.

[Received 1:37 p. m.]

I have been informed that the French authorities have agreed to the restoration of transportation of cargo from China to Indo-China as from today, including transit cargoes for exportation to foreign countries. I have also been informed that the transportation of certain categories of goods to China has been authorized but as yet these are of no commercial importance. Twenty-three tons of Red Cross supplies are to be shipped to China in the near future.

On the whole there are indications of a stiffening of the French attitude vis-à-vis the Japanese.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

756D.94/49 : Telegram

The Minister in the Union of South Africa (Keena) to the Secretary of State

PRETORIA, August 7, 1940—5 p. m.

[Received August 7—4:05 p. m.]

34. From a conversation I had this morning with the Prime Minister and the Minister without Portfolio, I gathered that General Smuts will take initiative in proposing that the governments of the Dominions and possibly the Dutch East Indies appeal directly to the United States for assistance in opposing any Japanese encroachment on the East Indies or in the southern Pacific. The proposal may embrace the suggestion that Singapore be taken over jointly by the Dominions and the United States as a naval base.

General Smuts expressed himself as very concerned over the possibility of the Japanese gaining control of the Indian Ocean which he said would mean the end of the Union of South Africa.

KEENA

751G.94/17: Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, August 7, 1940—10 p. m.
[Received August 7—12:30 p. m.]

278. Chauvel tells me this evening that the Gaimusho¹⁹ has now taken great pains to explain to Arsene-Henry that the Japanese communication regarding Indochina should by no means be construed as an ultimatum. The Foreign Office is advising Saint-Quentin that the Japanese have expressed the desire to enter into negotiations regarding the matter and have assured the French Government of their wish to avoid a conflict.²⁰

MURPHY

751G.94/15: Telegram

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

TOKYO, August 7, 1940—10 p. m.
[Received August 7—1:26 p. m.]

672. Department's 293, August 6, 1 p. m.²¹ I called on the Minister for Foreign Affairs this afternoon and after bringing to his attention the reports that Japan has made secret demands of the French in regard to French Indo-China I conveyed to the Minister the purport of paragraph 2 of the Department's telegram and expressed to him, as under instruction, the concern of the Government of the United States with regard to the reported demands.

After listening to my approach the Minister said that (1) he desired to reserve his comment, (2) that while it was a fact that certain demands had been made on French Indo-China he could not disclose their precise nature, and (3) that the points brought out in a recent article in the *New York Times*, a cabled report of which was before him, were in some cases highly exaggerated and in other cases devoid of any foundation. With regard to the two demands mentioned in the Department's telegram, the Minister declined to comment.

I left with the Minister copies of the Secretary's statements of April 17 and May 11²² and emphasized the fact that the attitude of the American Government towards preservation of the *status quo* with regard to the Netherlands Indies applied in equal measure to the entire Pacific area including French Indo-China.

¹⁹ The Japanese Foreign Office.

²⁰ On August 8 the French Counselor of Embassy made similar statements to the Chief of the Division of Far Eastern Affairs (751G.94/41).

²¹ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 289.

²² *Ibid.*, pp. 281 and 285.

The Minister told me and authorized me to tell the Department in strict confidence that the French Government has already accepted in principle the Japanese demands.

The Foreign Minister subsequently sent an official of the Information Bureau with the message that the Japanese Government did not wish to disclose the object of my call and would inform the press that I had called in connection with the Shanghai *gendarmierie* case.²³ I returned the reply that, although I felt certain that the Department would not betray any confidence, it might find it expedient to inform the American public that I had made an inquiry with regard to reported Japanese demands involving French Indo-China, and that I could not therefore be understood to have committed my government in any way on this point. I also pointed out that it would be untrue to say that I had called in connection with the Shanghai *gendarmierie* case and I suggested that the object of my call be given out as "various routine matters". After further conversation by telephone the Foreign Office informed us that the press would be told I had called to inquire with regard to press reports published abroad concerning recent developments in relations between Japan and French Indo-China and that the Foreign Minister had replied that the reports were inaccurate.

GREW

751G.94/19: Telegram

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

TOKYO, August 9, 1940—1 p. m.

[Received August 9—10: 28 a. m.]

676. My 672, August 7, 10 p. m. From an authentic source, who asks that the information be not attributed to him, I learn the following background and facts concerning the Japan-Indochina situation.

1. For about 3 weeks in June and July, cut off from communication with the French Government the Governor General of Indochina carried on conversations with Major General Nishihara, chief of the Japanese Commission to Indochina, who is characterized as an officer of high character and reasonable outlook. On July [apparent omission] General Nishihara was recalled to Tokyo to report.

2. [On July ?] 27 General Nishihara was temporarily replaced by Colonel Sato, Chief of Staff of the South China Army, who is known as an extremist. Colonel Sato made certain military demands on the Governor General which the latter stated he was unqualified to discuss and said that they would have to be referred to the French Government at Vichy. These demands were similar to those given in the Department's 293, August 6, 1 p. m.²⁴

²³ See bracketed note on the July 7 incident, p. 752.

²⁴ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 289.

3. At the beginning of August the French Ambassador in Tokyo was called to the Foreign Office where the Foreign Minister informally conveyed to him the same demands, namely the right to transport troops and to use air bases (nothing was said as to naval bases) in Indochina as a matter of military necessity. Mr. Matsuoka also emphasized the fact that Japan is particularly interested in Indochina from an economic point of view and is desirous of obtaining a "special position" therein.

4. The French Ambassador replied that presentation of demands directly to the Governor General by the Japanese Commission was inadvisable, he would nevertheless refer to his Government the demands presented by the Minister for Foreign Affairs.

5. On August [apparent omission] the French Ambassador called on the Foreign Minister and stated that the French Government was prepared to discuss economic questions with the Japanese Government but was not in a position to make the military concessions asked by Japan. In that interview Mr. Matsuoka appeared to be "quite friendly" but stated that the measures which Japan demanded were necessary first of all for the military operations in China and secondly for the increased economic stability of greater East Asia. The Minister suggested that the conversations looking to the implementation of these measures be held in Tokyo but the French Ambassador felt that owing to the adverse atmosphere in Tokyo it would be preferable to hold them in Indochina. General Nishihara has returned to Hanoi. The Ambassador has referred the matter to Vichy and is at this moment awaiting further instructions.

6. While the door for further discussions has, therefore, been left open, it is inaccurate to say that the French Government has in principle accepted the Japanese demands.

7. In the meantime negotiations for an economic barter agreement are being conducted in Indochina.

8. It is obvious that if invaded by strong forces Indochina has not sufficient strength to defend itself and would be obliged to yield.

GREW

751G94/24: Telegram

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

CHUNGKING, August 12, 1940—9 a. m.

[Received August 12—8:20 a. m.]

393. Following is text of a personal and confidential letter dated August 10 from the Minister for Foreign Affairs:

"Dear Mr. Johnson: From the French Government at Vichy and other reliable sources we have learned that the Japanese have de-

manded the Indo-Chinese Government to permit the passage of Japanese troops [to?] China's southwestern provinces and have probably presented other demands of a similar nature including the establishment of military and naval bases in the French colony. We naturally feel very much concerned and have warned the French Government against permitting or conniving at any Japanese military operations in Indo-China directed against this country. We are taking all possible precautions and will, in the event of the Japanese armed forces extending their sphere of action to Indo-China, adopt such measures as are necessary to and compatible with the security of the southern provinces.

We know that the Government of the United States is likewise deeply concerned with any attempt at disturbing by force the *status quo* of Indo-China as well as the possible invasion of yet another part of China's territory through a neighboring country. We are sure that the Government of the United States is watching this particular phase of the Far Eastern situation very attentively. The representations reported to have been made by Ambassador Grew to the Minister for Foreign Affairs in this regard might, I hope, produce some restraining influence on the Japanese who after all cannot fail to realize that the United States is an important factor always to be reckoned with in their attempt at establishing 'a new order in greater East Asia', which geographical expression, as the Japanese authorities have unblushingly pointed out, includes all South Sea regions.

The Chinese Government, and naturally the French Government too, will be very much interested to know, I feel, what action if any the Government of the United States will take in case of an actual attack by the Japanese on Indo-China with a view to the invasion of Southwestern China. I have reason to believe that the indication of the attitude of the Government of the United States commensurate with the seriousness of the situation likely to develop will go a long way to strengthen the Dutch Government and even the French to resist attack and thus help us secure the best possible result through our own efforts.

I shall be much obliged if you will kindly refer this question to the Department of State and confidentially inform me of its views there anent. (Signed) Wang Chung Hui."

Repeated Peiping, latter mail to Tokyo.

JOHNSON

751G.94/25 : Telegram

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

CHUNGKING, August 12, 1940—10 a. m.

[Received 10:32 a. m.]

394. My 393, August 12, 9 a. m. In acknowledging the receipt of the letter of August 10 from the Chinese Minister for Foreign Affairs, I said I would transmit its substance as requested but suggested that such matters could be handled in a more satisfactory man-

ner through conversations and I referred to the oral message communicated by Peck ²⁵ to Hsu Mo on July 30. This message was the gist of the Department's 124, July 20, 4 p. m. I recalled the salient points of the Department's observations, emphasized the constant contact maintained by Hu Shih with officials of the American Government and expressed confidence that the Ambassador would be able to give the Minister such information regarding the Department's views as the shifting circumstances might permit.

Sent to the Department. Repeated to Peiping. Peiping mail to Tokyo.

JOHNSON

756D.94/58 : Telegram

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

TOkyo, August 12, 1940—3 p. m.
[Received August 12—11:35 a. m.]

687. Our 657, August 3. My Netherlands colleague informs me that on August 9 he called on Nishi, chief of the bureau of European and West Asian Affairs in the Foreign Office, and referred to press reports of an interview with General Koiso in which the latter was alleged to have said in effect that the natives of the Netherlands East Indies are oppressed by the Netherlands Government. The Minister said that neither he nor his Government believed that General Koiso's remarks were correctly reported but that unless the press version should be retracted General Koiso's position in the East Indies would be "very difficult" (by which the Minister meant "impossible").

Nishi after long silence replied that a retraction would be difficult (1) because Koiso is not at present in active service and (2) because the decision to send him to the East Indies is not yet definite, but Nishi said that he would take up the matter with the Minister for Foreign Affairs.

The Netherlands Minister says that unless a reply is soon received he will press the matter with Mr. Matsuoka and that in any case his Government will not accept General Koiso in the absence of a retraction.²⁶

Sent to the Department, repeated to Batavia.

GREW

²⁵ Willys R. Peck, Counselor of Embassy in China.

²⁶ The subsequently appointed mission was headed by Ichizo Kobayashi, Japanese Minister of Commerce and Industry, rather than by General Koiso; see telegram No. 761, August 28, 9 p. m., from the Ambassador in Japan, p. 88.

756D.94/61 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, August 14, 1940—2 p. m.

[Received August 14—9:30 a. m.]

Referring to telegram Nos. 657,^{26a} 687²⁷ and 693 from Tokyo to the Department.²⁸

The Governor General of the Netherlands Indies informed me today as follows:

1. Japan desires to send a mission of Ambassadorial rank to this country to discuss various questions but no names have been presented yet. The Netherlands Foreign Minister in London and this Government replied that such mission would not be acceptable in the absence of a definite agenda containing no political questions.

2. The Japanese Government wishes to send a commission of high army and navy officers to examine deliveries of purchases for their armed forces. This probably will not be granted.

3. A committee of eight Japanese is due in Batavia about the end of this month to "survey the oil situation". This is regarded locally as of extreme importance and has increased the uneasiness which has existed here for several weeks.

4. Japan has requested this Government to guarantee deliveries of oil, tin, rubber and other unnamed essential materials. Present indications are that this will not be granted.

5. Japan has asked the abolition of local import restrictions.

6. Governor General fears that our embargo on exports of aviation gasoline and some scrap metals may cause Japan to seek such supplies here under embarrassing conditions.

Confidential but unimpeachable sources inform me orders were issued about 10 days ago to destroy completely (not decommission) all refineries, wells and petroleum including stocks totaling 5,000,000 barrels of which one half would be American in the event of invasion by Japan. This would mean destruction of American capital investment of about 300,000,000 dollars.²⁹

Not repeated to Tokyo.

FOOTE

751G.94/25 : Telegram

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

WASHINGTON, August 14, 1940—9 p. m.

144. Your 393, August 12, 9 a. m., and 394, August 12, 10 a. m.

1. It is suggested that you orally and confidentially inform Dr. Wang that the Department has acknowledged your telegram com-

^{26a} Dated August 3, p. 60.

²⁷ *Supra.*

²⁸ Telegram No. 693, August 12, not printed.

²⁹ In his telegram of August 17, 9 a. m., the Consul General substituted the following: "This would call for the destruction of American property valued at 300 million representing capital investment estimated at 1 million dollars." (756D.94/52)

municating the text of his letter to you and has replied to you substantially as follows: ³⁰

“Our Ambassador to Tokyo, under instruction, recently called on the Japanese Foreign Minister,³¹ referred to the Secretary of State’s statements of April 17 and May 11 in which there was set forth the belief of this Government that alteration of the *status quo* of the Netherlands East Indies or intervention in their domestic affairs would be prejudicial to the cause of stability, peace and security in the entire Pacific area, mentioned also this Government’s observation in those statements that this belief was based on a doctrine which has universal application and for which the United States unequivocally stands, stated that this belief and this observation naturally apply also to Indochina, and added that this Government is accordingly seriously perturbed in regard to various reports carried by news agencies to the effect that secret demands on the French in regard to French Indochina have been made by Japan.”

Sent to Chungking. Repeated to Peiping. Peiping repeat to Tokyo.

WELLES

751G.92/2 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, August 15, 1940—2 p. m.

[Received 7: 44 p. m.]

51. The Deputy Minister of Foreign Affairs ³² today conveyed to me verbally a confidential message from the Prime Minister and Minister of Foreign Affairs ³³ requesting me informally to communicate with my Government in order to ascertain its attitude toward the return to Thailand of the territory in Indo-China which was ceded to France by Thailand, in the event a measure should arise whereby there would be a partition or acquisition of Indo-China by other parties. In this instance, the Deputy Minister mentioned quite confidentially that his Government believes and fears that Japan is about to annex Indo-China.

In reply to an inquiry the Deputy Minister said his Government was approaching the British, American, German, and Italian Governments on the subject at the present time and that the Japanese Government would be approached later. The Deputy Minister added that his Government hoped that the reply of my Government would be favorable to the Thai proposal. A reply by telegraph would be appreciated by the Thai Government. He also asked me for my personal opinion regarding the proposal which I declined to give on the ground that the subject involves a major policy of my Government.

³⁰ The Department, in telegram No. 2370, August 15, 8 p. m., instructed the Embassy in the United Kingdom to inform the British Foreign Office.

³¹ See telegram No. 672, August 7, 10 p. m., from the Ambassador in Japan, p. 68.

³² Nai Direck Jaiyanama.

³³ Maj. Gen. Luang Pibul Songgram; also Minister of Defense and Minister of the Interior.

The Thai Government is planning to send a military mission headed by the Deputy Minister of Defense to Tokyo and another mission headed by the Commander-in-Chief of the Navy to Rome and Berlin probably the latter part of this month. It is believed that Thai ambitions to reclaim the lost provinces in Indo-China will be on the agenda of discussions.

The British Minister ³⁴ who preceded me at the Foreign Office informed me late today that he had made a second call at the Foreign Office this afternoon following the receipt of a telegram from the British Consul General at Saigon stating that Chiang Kai Shek had sent a telegram to the French authorities in Indo-China to the effect that [he would] send an army of 300,000 into Indo-China to fight the Japanese if the latter attempt an invasion. The British Minister said that while he was suggesting to his Government in connection with his communication regarding the Thai proposal that a friendly reply be made he himself had strongly urged the Thai officials to move with extreme caution in the matter in order to avoid possible entanglements with Japanese aggressive policies and also possible complications with China. He added that he had succeeded in getting the Thai officials to broaden the membership of their proposed mission to Tokyo to include a civilian member, to have the two missions designated as "good will" missions and to include London in the itinerary of the mission to Rome and Berlin.

As a result of the temporary indisposition of the Prime Minister and Minister of Foreign Affairs, there has been a slight delay in the presentation of my credentials. However, it has now been arranged for me to see the Prime Minister next Saturday and to present my credentials to the Regency early next week.

GRANT

856D.6363/763

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

[WASHINGTON,] August 16, 1940.

Participants: Mr. George Walden, Mr. Kay, Standard-Vacuum Oil Company of New York,
Mr. Maris of the British Embassy,
Mr. Wilkinson, representative in this country of the Shell interests,
Mr. Hornbeck
Mr. Ballantine

Mr. Walden said that the purpose of his and Mr. Kay's call was to obtain the reaction of the State Department to his company's proposal

³⁴ Sir Josiah Crosby.

that Mr. Kay proceed to Batavia to participate in negotiations with a Japanese group of business representatives who were expecting to visit Batavia toward the latter part of August in connection with Japanese desires to obtain increased quantities of Netherlands East Indies products and exploitation concessions. Mr. Walden said that, while their local representative in the islands was thoroughly familiar with the questions involved and the company's policy, the company felt that, as the Governor General had requested that an official of the home office be sent to Batavia for the purpose, the company would be in an awkward position to decline. Moreover, the company felt that its local representative in Batavia would be under greater pressure than would a representative from the home office to accept disadvantageous conditions. Mr. Walden realized, however, that a representative from the home office would be under greater pressure than would the local representative to make decisions without referring questions to his home office and that if such pressure were yielded to it would tend to speed up the negotiations in a situation where our interest lay in temporizing. Accordingly, Mr. Kay proposed, in the event that he went out, to insist upon consultation with his home office at each stage of the proceedings.

Mr. Hornbeck asked what there was to negotiate. Mr. Walden replied that there was little or nothing: that the Japanese would press certain demands for shipments of commodities and for exploitation concessions. Mr. Hornbeck pointed out that the Dutch request for a representative from the home office was perhaps motivated by a desire to tie the American companies and the American Government into the matter as far as possible. We realize, however, he said, that this is a case where it would perhaps be embarrassing to the company to refuse to meet the request of the Dutch Governor General, and all he could say was to use the formula that the State Department would have "no objection" to the company's sending a representative as requested.

Mr. Walden then read a letter from the company's representative in Java which had been written in and mailed from Manila to avoid the Dutch censorship. In this letter there was discussed the present attitude of the Dutch authorities toward possible Japanese aggression. The following important facts were brought out either in the letter or in explanatory statements which Mr. Walden made:

The company's plant in Sumatra, which was about 300 miles distant from Singapore, represented an investment of about fifty million dollars. Other American investment in oil properties in the Dutch East Indies was negligible. The Standard Vacuum Oil Company's plant was capable of producing in addition to other petroleum products about 1300 barrels daily of 100 octane aviation gasoline, the

total output of which for the next three years had been contracted for to be supplied to the United Kingdom. The Shell Oil people could produce through a blending process gasoline of about 87 octane content which was serviceable for existing Japanese needs. Plans had been made at the instance of the Dutch authorities whereby in case of Japanese invasion the Japanese would not be able to obtain oil from the wells. This could be done through cementing the wells, which would put them out of production for possibly a year, especially if the pipe line to the coast was destroyed and one or two vessels were sunk in the harbor. Another method would be to blow up the oil wells, which would of course represent a complete wiping out of the American investment.

At this point Mr. Maris, of the British Embassy, and Mr. Wilkinson, representative in this country of the Shell interests, both of whom, at the request of Mr. Walden, had been invited to join in the discussion, arrived.

Mr. Maris said that "we" are confronted with a situation which leaves no alternative to acceding to Japanese demands and the British assumed, or at least hoped, that the United States Government would see the situation as they see it.

Mr. Hornbeck said that in his opinion there was no need and no advantage to be gained by assuming a defeatist attitude; that if the negotiators go into the negotiations in such a frame of mind they will be in a hopeless position, as the Japanese would of course take the fullest advantage of that situation; and that in his opinion the course which should be adopted by the petroleum interests would be to approach the negotiations as a business negotiation: that is to say, they should take the attitude that Japanese requests are to be considered on their merits from a business point of view and are to be accepted or refused on that basis and that if the Japanese should make unreasonable demands the problem will become political; that in the presence of threats by the Japanese the attitude of the interests should be that the farthest they could go would be to give passive acquiescence.

Mr. Maris said that he had not meant to imply that the British interest proposed to adopt a policy of appeasement but merely that it had no alternative to making concessions.

Mr. Wilkinson then said that in addition to the question of the forthcoming general negotiations with the Japanese, in which the representatives of the Asiatic Petroleum Company were at the request of the Governor General of the Netherlands East Indies to take part along with the Standard Vacuum Oil Company and other producers, the Asiatic Petroleum Company had the more immediate problem of meeting Japanese demands which had already been made of the com-

pany for supplies and which called for an immediate reply. He said that heretofore the company had declined to supply Japan with crude oil. Now, however, the Japanese are asking that they be supplied during the next twelve months with several cargoes monthly of petroleum, included in which are to be at least two cargoes during the next two months of 70,000 barrels each of aviation gasoline and cargoes of a "doctored" crude³⁵ from which gasoline serviceable for aviation can be recovered.

Mr. Hornbeck said that with regard to the question of unprocessed crude oil, there would appear to exist no basis for an objection to compliance by the interests with reasonable Japanese demands. It seemed to him, however, that the "doctored" product is another matter; that the American Government had placed an embargo upon the exportation of aviation gasoline to Japan; and he asked whether, if Japan were now to be supplied by British interests with serviceable aviation gasoline this would not serve to nullify the action which the American Government had taken. Mr. Wilkinson and Mr. Walden replied that it would. Mr. Hornbeck said that under these circumstances we could not be expected to express approval of any such action on the part of the interests. Mr. Hornbeck added, however, that he did not see how it would be consistent with the interests of the Asiatic Petroleum Company to supply such products to the Japanese in view of the fact that Japan did not require high quality aviation gasoline for its present uses but only for possible later or ultimate use against the British.

Mr. Wilkinson agreed that to supply the Japanese with "doctored" gasoline would have the effect of nullifying the action of the American Government in placing an embargo on aviation gasoline and would also be contrary to the long-run interests of the Asiatic Petroleum Company and the British Government.

Mr. Maris then further elaborated upon his first statement and said that the British envisaged a two months' period during which they would be obliged to pursue a yielding attitude but he expected that thereafter the British Government would be in a stronger position.

Mr. Hornbeck pointed out that even though Great Britain might be successful within two months in averting the danger of German invasion, a much longer period would have to be envisaged before Great Britain would be in a strong position in the Far East and that in any case the Japanese proposals in respect to which the Asiatic Petroleum Company was now called upon to make a decision were apparently calling for a contract for a period of twelve months or even longer. He asked whether, if such a contract were made, there

³⁵ Explanatory notation: "about 500,000 barrels a month".

would not result a situation in which, American companies having been prevented by the action of the American Government from supplying the Japanese with aviation gasoline, and a British company having stepped into the breach and having supplied Japan with this commodity and having made contracts for long-term supplying, American companies would be deprived of all possibility of having any of this business for a long time to come no matter what might be the developments in the Far East. Mr. Wilkinson and Mr. Walden said that such would be the situation. Mr. Hornbeck said that we could hardly be expected to give our blessing to a proposal tending in that direction and toward that end. He said that it was for the interests themselves to decide what they would do in regard to either or both of the matters which had been under discussion, but that, if and in so far as they took on any of the proposed business, they would have to do so without assuming an authorization or a blessing on our part.

Both Mr. Maris and Mr. Wilkinson, as well as Mr. Walden and Mr. Kay, agreed that the discussion which had taken place was very helpful in clarifying the question of the attitude that might be adopted by the American and the British interests in respect to Japanese demands.

S[TANLEY] K. H[ORNBECK]

751G.92/3 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, August 17, 1940—3 p. m.

[Received 9:32 p. m.]

54. The Prime Minister and Minister of Foreign Affairs received me today and stated categorically that while the Thai Government will be satisfied with the maintenance of the *status quo* in Indochina, if a third party, Japan for instance, should attempt to seize control, which appears likely, it wants a return of the provinces ceded to France. The Prime Minister confirmed the information that the Thai military mission to Tokyo will discuss this proposal with the Japanese. He added that the mission will proceed to Tokyo via Indochina where the subject of Thai claims in Indochina will also be discussed with the French authorities. The Prime Minister denied a report broadcast yesterday from San Francisco to the effect that Japan had demanded the establishment of air and naval bases and the control of the state railways in Thailand. However, he indicated that his Government is very anxious about the intentions of Japan. In reply to an inquiry as to his opinion in regard to the effect of the war on Far Eastern problems, he

said the solution must be found in the policies adopted by Great Britain and the United States.

GRANT

751G.94/81 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, August 17, 1940—4 p. m.

[Received 10:43 p. m.]

362. Baudoin asked me to call today and informed me of the status of Franco-Japanese negotiations regarding Indo-China. He said that, on August 15, Matsuoka informed Arsene-Henry that the Canton High Command insisted on the use of Tongking for the free passage of Japanese armed forces and the use of naval and air bases for reasons of military necessity. The Japanese command asserts that the use of Tongking is imperative if the hostilities in China are to be terminated. Matsuoka said that the Japanese intention is to use Tongking temporarily for this purpose and that, in turn, Japan offered to France close economic cooperation in the Far East and that the French position in Indo-China would be left intact on the basis of the arrangement of June 10, 1907.⁸⁶

Baudoin understands that this decision was taken by the Canton High Command without any consideration of the wishes of Matsuoka and the civilian members of the government. Matsuoka did not place any time limit for compliance with the Japanese proposition but merely said that he could make no promise that the Japanese military authorities could be restrained from immediate action.

A council of ministers was held last evening to consider the Japanese proposition and, according to Baudoin, the French Government is conscious that, in the absence of any material support from Great Britain and the United States as distinguished from the enunciation of principles, France is in no position to oppose the Japanese will. Baudoin said that the Indo-Chinese military establishment includes only 12 modern airplanes, of which 9 were bombers and 3 pursuit planes. It has practically no anti-aircraft equipment, but it does possess enough artillery and infantry to resist for a period of a few weeks. The Government considered that if it resisted, the net result would be the destruction in short order of most of the cities in Tongking, all of which are of wooden construction and which the Japanese could bomb at will. It had been obvious, said Baudoin, since the British withdrawal at Shanghai that France could not count on Britain for support in Indo-China.

⁸⁶ *Foreign Relations*, 1907, pt. 2, p. 754.

On the other hand, the French Government feels that, if France complies with the Japanese desire, it will have at least a basis as flimsy as it may be, on which to assert a case for the future. Arsene-Henry was accordingly instructed last evening to inform the Japanese Government that France would agree to the proposal on the basis that the occupation was to be of a temporary nature only, that the arrangement of 1907 stood, and that the French position in Indo-China would be respected and left intact.

I asked Baudoin whether there had been any indication from the Reich regarding its wishes and Baudoin said not. He said in fact it has been the French Government's impression during the past weeks that Germany would much prefer the French Colonial Empire to remain intact, if for nothing else than for selfish reasons. Germany, with a stranglehold on France, can undoubtedly derive much more benefit from the French Colonial Empire under a façade of French control than if any of its important elements should fall into the hands of Japan.

Baudoin said that this development is a terrible blow for him personally because of his long and intimate association with the Bank of Indo-China and he particularly hoped the United States would not fail to comprehend the tragedy of this added blow to French prestige and the reasons for it.

Immediately after this interview, Baudoin received Wellington Koo to impart the same information.

MURPHY

751G.94/45 : Telegram

The Chinese Ministry for Foreign Affairs to the Chinese Embassy ²⁷

CHUNGKING, August 19, 1940.

According to telegraphic report from Ambassador Koo : it has been confirmed by a member of the French Cabinet that the Japanese have actually addressed to the Indo-China authorities demands for the passage of troops and for the use of the military aerodromes, and that negotiations are proceeding.

Ambassador Koo also received a confidential report that the Japanese had sent in an ultimatum on August 16 and had already begun to occupy part of the railway in Indo-China. This, however, has not been confirmed by our reports from Hanoi.

Opinions differ among French Cabinet members in regard to the question of resistance. The French Government intimated to Amba-

²⁷ Translation of telegram handed to the Adviser on Political Relations by the Chinese Ambassador on August 20.

sador Koo that certain aeroplanes which France purchased from America had been left temporarily in French possessions in the West Indies for fear of seizure by the British;³⁸ and that movements of the French Navy would entirely depend on whether Great Britain would afford it facilities on its way to the East, and refrain from seizing the ships. Ambassador Koo understands that the French Government has, on the basis of the Four Power Treaty,³⁹ requested the American Government to consult the British Government regarding these two questions of the French fleet and aeroplanes.

Please consult the American Government as to whether its good offices may be invoked in requesting the British Government to afford the necessary facilities to enable the French aeroplanes and fleet to proceed to the East. The French Government has also expressed the earnest hope that part of the American fleet may be dispatched to the Far East.

751G.94/33 : Telegram

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

CHUNGKING, August 20, 1940—10 a. m.

[Received 1:17 p. m.]

405. Department's 144, August 14, 9 p. m. I delivered the Department's message to the Chinese Minister of Foreign Affairs August 19, 5 p. m. He asked me to inform the Department that he had received a telegram from the Chinese Ambassador at Vichy reporting that the Minister of Colonies informed him in a conversation on August 16, 2 p. m. that while he himself advocated stiff resistance to the Japanese demand for permission to transport troops over the Indochina railway to invade Yunnan, his colleagues who favored temporizing with Japan formed a majority in the Cabinet and the Government's policy would therefore be one of watching and waiting.

The Minister of Colonies expressed the view that in presenting this demand the attack on China was merely a pretext and that the real Japanese objective was to drive Occidental interests out of the Orient. In a later telegram, likewise despatched on August 16, Koo reported that he had learned from a confidential source that the French Government had that day received an ultimatum from the Japanese Government demanding a favorable reply to its earlier request for permission to transport troops and establish two or three naval bases in Indochina and that the Cabinet had held a meeting and tele-

³⁸ For correspondence, see vol. II, under France, section entitled "Concern of the United States Over the Disposition of French War Vessels and Airplanes in Martinique After the Capitulation of France to Germany."

³⁹ Signed at Washington, December 13, 1921, *Foreign Relations*, 1922, vol. I, p. 33.

graphed instructions to the Governor General of Indochina not to carry out the earlier instructions sent to him to resist a landing of Japanese troops in Indochina if it should be attempted. Dr. Wang regarded this intelligence as extremely grave.

Sent to Department, repeated to Peiping. Peiping repeat to Tokyo.

JOHNSON

756D.94/53 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, August 21, 1940—3 p. m.
[Received August 21—8:50 a. m.]

Referring to my telegrams of August 14, 2 p. m.; and August 17, 9 a. m.⁴⁰ Further investigation indicates that my report is correct. For example, the Standard Oil Company of New Jersey has 520 wells producing 2,000,000 tons of crude petroleum per annum, hundreds of miles [of] pipe lines, various kinds of refineries, many buildings, much equipment, great number of storage facilities and great quantities of crude and refined products in both Sumatra and Tandjoengoeban. Their capital investment January 1, 1940, was said to have been 165,000,000 guilders. The above data do not include the Standard Oil Company of California and the Standard-Vacuum Oil Company. Orders to destroy remain unchanged although the oil companies are now negotiating with the government in an effort to prevent total destruction of the oil fields. Written report follows.

FOOTE

751G.92/4 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, August 21, 1940—5 p. m.
[Received August 21—10:47 a. m.]

59. The Prime Minister, according to the most reliable and confidential information, communicated a message last evening to the French Minister⁴¹ requesting him to telegraph the Vichy Government and urge that all of the provinces ceded by Thailand to France in Indochina be omitted from any settlement arising from capitulation of the Vichy Government to any demands relating to Indochina. The Prime Minister also indicated that the Japanese were bringing pressure to bear on his Government in connection with the Indochina matter and that the reasons Japan had not already taken direct action were,

⁴⁰ Concerning latter, see footnote 29, p. 73.

⁴¹ Paul P. Lepissier.

(1) the uncertain internal situation in Japan, (2) the attitude of Germany and (3) the attitude of the United States.

GRANT

751G.92/3 : Telegram

The Acting Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, August 21, 1940—6 p. m.

37. Your 51, August 15, 2 p. m., and 54, August 17, 3 p. m. In reference to the oral and confidential message from the Prime Minister and Minister for Foreign Affairs communicated to you by the Deputy Minister on August 15 and in reference to statements made to you on August 17 by the Prime Minister and Minister for Foreign Affairs, the Department suggests that you make oral and informal reply along the following lines:

This Government's position in regard to international problems and situations with respect to which this country feels deep concern, including its belief that the adjustment of problems in international relations should be made by processes of peaceful negotiation and agreement, was set forth in a statement made by the Secretary of State on July 16, 1937,⁴² which statement was communicated to the Thai Government. It will be recalled that the Thai Minister for Foreign Affairs in his comment to the American Chargé d'Affaires in Thailand at that time⁴³ indicated the general concurrence of the Thai Government in those principles.

This Government believes that any problems such as that concerning which the Deputy Minister for Foreign Affairs has made inquiry of you should be considered and dealt with in the light of those principles.

In your discretion you may add as of your own initiative that you raise the question whether under the present disturbed conditions of the world there would be a prospect of reaching at this time an equitable settlement of this matter on a lasting basis.

WELLES

893.24/859

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] August 26, 1940.

The British Ambassador called at his request and brought up the question of the possible opening of the Burma Road, stating that the three months' period within which they could open it would expire on October fifteenth.

⁴² *Foreign Relations, Japan, 1931-1941*, vol. I, p. 325.

⁴³ See Department of State, *Press Releases*, August 21, 1937, p. 135.

He proceeded with a preliminary statement to the effect that the British Government had urged its oil owners in the Dutch East Indies not to allow themselves to be pushed into a long-term contract with Japan, but to bargain hard both as to time and quantity. He then said that the Dutch Government and the Dutch oil owners in the Dutch East Indies had a sort of defeatist state of mind, and that, therefore, the Ambassador hoped that my Government would suggest the same thing to the Dutch Government and to the individual Dutch oil owners that the British Government had suggested to its oil owners, and likewise to express the definite opinion that they would be in no danger of any military attack or threat of occupation if they should bargain hard as to time and quantity of oil sold to Japan; that if they could pursue this course for at least ten days or more, the British war situation and the possible Russian attitude might contribute to and make possible the reopening of the Burma Road before October fifteenth.

I replied that I had already urged something like this course on the President of the Dutch-Shell Oil Company; that I would be glad to consider the Ambassador's suggestion; that, of course, he knew how strongly I personally felt about this entire question, and I would, therefore, request the European and Far Eastern Divisions to collaborate in this matter with respect to discussion with the Dutch Government officials and the individual owners and officials of the Dutch-Shell Oil Company.

C[ORDELL] H[ULL]

751G.94/37a : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, August 26, 1940—6 p. m.

379. Your 362, August 17, 4 p. m.

1. The Chinese Embassy here is in receipt of a message from the Chinese Embassy in France to the effect that the French had decided on August 16 to accept in principle Japanese demands for passage of Japanese troops through Indochina and for the granting to Japan of Tonkin and Tonkin Bay as military bases. The message states that the French Government has informed the American Government of the nature and scope of the instructions which the French Government sent to its Ambassador in Tokyo.

This Government has not been informed of the reported instructions except for the information given in your telegram under reference.

2. The Consul at Hanoi on August 23 reported as follows:

“. . . “ the Chinese Consul General has informed me that according to information received from the Chinese Ambassador at Vichy, the

“ Omission indicated in the original telegram.

French Government at Vichy has agreed to Japanese demands for the military use of airports, harbors and railroads in Tonkin, as well as the expulsion of Chinese Government officials. Indochina authorities profess to know nothing of such an agreement and characterize the information as a 'Chinese rumor' but the Chinese are taking the information seriously and are preparing to evacuate on short notice."

3. The Chinese Ambassador here informed an officer of the Department on August 25 that the French Government has entered into agreements with the Japanese Government along the lines indicated in the foregoing paragraph and that the Chinese are especially concerned over the matter of utilization by the Japanese of Tonkin Bay.

4. Please endeavor to see Chauvel and state that the granting by the French Government to the Japanese Government of concessions of the nature and scope described above would create an unfavorable impression in this country and that this Government hesitates to believe that the French Government has actually made such concessions. Endeavor, therefore, to obtain clarification. If you are unable to obtain satisfactory clarification from Chauvel, the Department suggests that you endeavor to see Marshal Petain ⁴⁵ but it prefers that you not seek an interview with Baudoin on this matter.

HULL

751G.94/38: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, August 27, 1940—7 p. m.

[Received 8:55 p. m.]

438. Department's telegram No. 379, August 26, 6 p. m. I discussed with Chauvel this afternoon the questions raised in your telegram. He said that no agreement has yet been reached with the Japanese and that Wellington Koo's reports to that effect are premature. Exchanges views are still continuing with the Japanese and he promised that, if and when agreement is reached, we shall be immediately informed. The Japanese demands he said concern solely the passage of military forces through Indo-China and do not involve the use of military bases or any military installations. Tongking Bay would be used as a port of debarkation. He denied emphatically that there has been any discussion either "directly or indirectly" of expulsion of officials of the Chinese Government. The French have taken the position that before accepting a request for troop passage they must have definite guarantees that these will be in no sense an occupation of Indo-China; that the Government of Indo-China will continue to

⁴⁵ Head of the French State at Vichy.

administer the territory and that there will be no attempted political penetration. The Japanese have not as yet agreed to grant these guarantees though their attitude according to Chauvel is "softening". He said that by prolonging these discussions the French have in reality kept the Japanese out of Indo-China since the menace first came up around June 20 (please see telegram No. 47, June 20, 7 p. m., from Bordeaux) immediately following the French armistice demand; but these tactics of delay he said cannot be prolonged indefinitely. If and when an agreement is reached the French will request the Japanese to delegate some officials to discuss the details of troop passage with appropriate officials of the Indo-Chinese Government.

He seemed somewhat surprised at the Department's inquiry and read me Baudoin's memorandum of his conversation with Murphy on August 17. The memorandum stated that Murphy had been informed of the Japanese demand and the attitude of the French Government and that he was read the instructions to Arsene-Henry at Tokyo. (Please see in this connection the antepenultimate paragraph of the Embassy's telegram No. 362, August 17, 4 p. m.) He also read me portions of a telegram from Saint-Quentin dated August 21 which he stated was the last received from him. In it the French Ambassador reported a conversation with Acting Secretary Welles: he referred to a suggestion of Baudoin that our Government instruct Ambassador Grew to urge the Japanese that if French Indochina were "occupied" the occupation should only be temporary and reported the Acting Secretary's very definite reply that if such a request were received it would be rejected as quite inconsistent with our general policy of nonrecognition of the conquests of aggression.

Chauvel expressed his complete personal accord with this point of view. He added, however, that he hoped we would make a vigorous protest when the Japanese passage through French Indo-China actually takes place.

It is quite clear to me that the French, as indicated in the Embassy's No. 362, feel it quite impossible to put up any military resistance in Indo-China; their policy is clearly one of delay and to endeavor to obtain the best possible bargain.

I asked whether Wiesbaden ⁴⁶ had come into the picture and he replied only in the sense of asking for information. The Germans, he said, have not as yet indicated any position on the question.

MATTHEWS

⁴⁶ Location of the German commission to supervise carrying out of terms of the French-German armistice.

756.94/169 : Telegram

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

Tokyo, August 28, 1940—9 p. m.

[Received August 28—10:45 a. m.]

761. The press this morning announces the suite which will accompany Special Envoy to the Netherlands Indies, Mr. Ichizo Kobayashi, Minister of Commerce and Industry. The list as announced includes Iwase, a director of the Tokyo Electric Light Company, as Special Adviser to Kobayashi, and Ota, Secretary of the Foreign Office, of *chokunin* rank. There are in addition so-called technical experts from the Foreign Office, Cabinet Planning Board, Finance Ministry, War Ministry, Navy Ministry, Commerce and Industry Ministry, and the Overseas Ministry, as well as 4 secretaries who will assist Kobayashi as interpreters and stenographers, making total of 20 persons accompanying Kobayashi.

The Embassy is informed by the Netherlands Legation that prior acceptance of this mission by the Netherlands Government was not asked and that the Netherlands Legation was merely informed that the mission was being sent. The following is a brief summary in translation of the memorandum given by the Vice Minister for Foreign Affairs to the Netherlands Minister at the time of their interview yesterday:

1. The Japanese Government, to improve and further strengthen economic relations with the Netherlands East Indies, has selected Mr. Kobayashi to head a special commission and has appointed Mr. Ota, an official of the Foreign Office of *chokunin* rank, to be in charge of the personnel of the mission. The Japanese Consul General in Batavia will advise the mission and will be entrusted with some of the negotiations. Usual customs facilities and courtesies are requested.

2. Because the Japanese Government attaches the utmost importance to the coming deliberations and in the belief that those deliberations could be held directly with the Governor of the Netherlands Indies, the Government has appointed a State Minister and member of the Cabinet. Details of the negotiations will be in charge of Mr. Ota and the Japanese Consul General in Batavia. The Japanese Government expects that capable representatives with sufficiently broad powers will be appointed by the Netherlands Indies Government.

3. The Japanese Government has in mind no other thought than to strive for the strengthening and developing of closer economic relations between the two countries. The most important subjects are amelioration of economic relations and the facilitating of Japanese economic activity in the Indies.

4. It is to be pointed out again that since the Japanese Government has chosen a statesman of first rank and given him broad powers, it is hoped that the Netherlands Government will convey to the Gov-

ernor General of the Indies such broad powers that it will not be necessary to refer each question back to the Netherlands Government for instructions.

The Japanese [Vice Minister] in discussing the matter with the Netherlands Minister seemed particularly apprehensive lest Kobayashi's reception be not fully in keeping with his position as a Minister of the Japanese Government. The Netherlands Minister assured the Vice Minister for Foreign Affairs that Kobayashi would be given a reception commensurate with his rank as a cabinet minister but stated that it would be impossible for the Governor General to negotiate with Kobayashi. The Netherlands Minister expressed the belief that the second ranking official in the Netherlands Indies Government would probably be able to negotiate. The Japanese are not furnishing Kobayashi with credentials as an envoy of the Japanese Government. And the Netherlands Legation is inclined to regard this mission as similar to various groups called "economic missions" which have recently come to Japan from Spain and certain countries in South America.

Sent to the Department. Repeated to Batavia.

GREW

793.94/16149 : Telegram

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

CHUNGKING, August 29, 1940—10 a. m.

[Received August 29—4:38 a. m.]

433. Reference Embassy's 294, June 25 [24], 9 a. m. [7 p. m.]⁴⁷ Following is the text in English translation of a statement issued by the Chinese Foreign Minister on August 28, copy of which was made available by Foreign Office to Embassy today:

"In resisting Japanese aggression it has never been the intention of China to cause any troops to enter any foreign country provided Japanese forces do not in any way make use of its territory against China and will not be ordered to march across the border as long as Japanese troops do not appear in Indochina. It has now, however, been learned that Japan is planning to land troops in Indochina and take other kinds of military action in the French colony with a view to attacking Chinese territory. The Government wishes to declare emphatically that in the event of actual entry of Japanese armed forces in Indochina, under whatever pretext and under whatever conditions, the Chinese Government will consider it a direct and immediate menace to the security of China's territory, and will at once adopt measures of self-defense by despatching likewise armed forces to Indochina to deal with the situation. The Chinese Govern-

⁴⁷ *Post*, p. 884.

ment will be thus absolved from any responsibility for any consequences resulting from the adopting of such necessary measures. On the other [hand], should the French authorities permit or tolerate any Japanese military activities in Indochina, the French Government should not evade responsibility for all consequences, including any loss or damage that might be caused to the life and property of Chinese residents of Indochina."

Sent to the Department, repeated to Peiping, Shanghai. Shanghai please air mail to Tokyo. Air mail to Hanoi, Yunnanfu, Hong Kong.

JOHNSON

756.94/170: Telegram

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

TOKYO, August 29, 1940—5 p. m.

[Received August 29—9:55 a. m.]

762. My 761, August 28, 9 p. m. My Netherlands colleague believes that the principal efforts of the Kobayashi Mission will be to obtain control of oil fields either through exploitation of new sources (which are not believed to exist) or through cooperative development of existing fields in which the Japanese would propose furnishing the "white collar men" and the machinery while the Dutch furnish the labor and the credits. The Minister regards significant the inclusion of two naval officers on the mission and believes that acceptance of any scheme in line with the foregoing hypothetical plan would rapidly lead to full *de facto* control by the Japanese Navy and naval police of the district to be exploited. The Minister characterizes as utterly impossible his Government's acceptance of any such plan.

2. Although the memorandum of the Japanese Government, communicated to the Department in my telegram under reference, characterizes the purpose of the Japanese mission as exclusively economic, it is significant that only a few days earlier an official of the Foreign Office observed to General Pabst that nowadays economic and political considerations are closely bound up together.

3. The Netherlands Minister has informed the Foreign Office that while the Netherlands Indies Government will not resort to dilatory tactics, nevertheless it will be out of the question to conduct autonomous negotiations with the Japanese Mission without constant reference to the home Government in London.

4. The Mission is scheduled to arrive at Batavia September 16.

GREW

893.24/899

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] August 29, 1940.

The Chinese Ambassador read to me this morning from a letter which he had just received by air mail from the Secretary-General of the People's Political Council, at Chungking, who is an Adviser to Chiang Kai-shek on Foreign Affairs. In the course of this letter the writer said, in substance:

Our source of military supplies is now confined to the transcontinental route of the northwest. But the Soviet Union does not seem to have much enthusiasm for increasing supplies to us or for permitting us to import arms and munitions through Vladivostok. Negotiations on those two matters have had so far no results. For this reason, we must concentrate our effort on the reopening of the Burma Road.

S[TANLEY] K. H[ORNBECK]

751G.92/6 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, August 31, 1940—11 a. m.

[Received 11:35 a. m.]

64. The Japanese Chargé d'Affaires has called on me and made inquiry as to whether the Thai Government had communicated with my Government in regard to Indo-China. I answered in the affirmative. He then asked me categorically what the Thai Government wanted to know of my Government. I replied that he should place his inquiry before the Thai officials. Two conclusions may be drawn, it would appear; 1, the Japanese, who I understand, have recently increased the personnel of their military attachés here, have an excellent espionage service, and 2, there is no direct collusion so far between the Thai and the Japanese in the matter of the proposal of the former that the Thai territories ceded to France in Indo-China shall be returned to Thailand in the event of a Japanese invasion of Indo-China. The Thai mission headed by the Deputy Minister of Defense and Assistant Commander-in-Chief of the Army ⁴⁸ left yesterday for Japan via Indo-China where, it was stated in the local press, they will meet important members of the Indo-China Government.

GRANT

⁴⁸ Col. Luang Prom Yodhi.

751G.94/47: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, August 31, 1940—11 a. m.

[Received 4: 40 p. m.]

During a conversation yesterday afternoon the Governor General declared that the situation vis-à-vis the Japanese is deteriorating and he expressed definite fears for the future. He stated that the question of passage of Japanese troops has not been settled but he added that Japanese pressure to obtain [further?] military and economic privileges is increasing.

The return of Colonel Sato from Canton has contributed nothing towards easing the tension as he represents the army element reputed to be not unwilling to take steps against Indochina.

The Governor General said that in his opinion a declaration by the United States Government as to maintaining the *status quo* in Indochina would avert the growing danger of aggression. He stressed the vital importance of the immediate delivery of the airplanes chosen by the Indochina Commission (my telegram dated June 25, 2 p. m.⁴⁹). He expressed the hope that the U. S. Government would assist Indochina in both respects.

He commented on the influx of Japanese into Indochina and alluded to Japanese propaganda among the natives.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

751G.94/54: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 3, 1940—9 a. m.

[Received 9: 50 a. m.]

According to official communiqué issued this morning, Governor General was informed evening of September 1 of agreement between French and Japanese Government according certain military privileges to the Japanese Government under conditions stipulated by French Government, which were to be subject of conversations between Indochina and Japanese military authorities. Without waiting opening of these conversations (which were to open today), the Japanese military mission insisted that agreement should be signed before midnight September 2 granting rights of passage across Indochina without previous discussion and under conditions irreconcil-

⁴⁹ Not printed; but see memorandum of September 20 by the Assistant Secretary of State, p. 137.

able with those stipulated by French Government. At meeting of Government General Council yesterday afternoon Indochina authorities decided that it was not possible to defer to this ultimatum.

Sent to Cavite for repetition to Department, Chungking, Peiping, Hong Kong, Shanghai. Chungking please repeat to Yunnanfu. Hong Kong please repeat to Canton.

REED

751G.94/52: Telegram

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

CHUNGKING, September 3, 1940—11 a. m.

[Received September 3—1:40 a. m.]

443. Telegrams from Hanoi, August 31, 11 a. m., and August [September] 2, 10 a. m.⁵⁰ In a letter dated September 2 the Minister for Foreign Affairs informs me that an urgent telegram from the Chinese Consul General at Hanoi reports that the Indochina Government appears determined to resist Japanese demands for military facilities and the French forces are in great need of airplanes purchased in the United States. The Minister earnestly hopes that the American Government will assist the French in this regard and points out that it is as much in American interests as Chinese that the French should be helped to oppose military action by the Japanese.

Sent to the Department. Repeated to Peiping. Peiping mail to Tokyo.

JOHNSON

751G.94/56: Telegram

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

CHUNGKING, September 3, 1940—4 p. m.

[Received September 3—1:30 p. m.]

445. Reference Hanoi's August 31, 11 a. m., and September 2, 10 a. m.,⁵⁰ and Embassy's 443, September 3, 11 a. m. The Vice Minister for Foreign Affairs today informed an officer of the Embassy that the Foreign Office has received a telegram from the Chinese Ambassador at Vichy stating that the Vichy Government has accepted Japanese demands in relation to Indochina. According to the Vice Minister, an arrangement relating to an exchange of commercial commodities between Japan and Indochina is being negotiated in the form of an annex to the Franco-Japanese treaty of 1907 while stipulations concerning the passage of Japanese troops through Tongking and the

⁵⁰ Latter not printed.

flight of Japanese (including military) planes over Tongking are to be included in an exchange of notes between the two Governments. For the purpose of "face", provision is to be made in the notes for French "supervision" of Japanese military forces moving through Indochina.

The informant asserted that the authorities of Indochina have not been kept fully informed of the development of negotiations at Vichy. He expressed the view that the Indochinese authorities would probably comply with instructions received from Vichy in the matter.

Informant asserted in connection with the recent visit of General Ho Ying-ch'in⁵² to Yunnanfu that the Yunnan authorities are fully prepared to support the National Government.

Sent to the Department. Repeated to Peiping for repetition to Tokyo. Repeated to Hanoi. Code text by air mail to Yunnanfu.

JOHNSON

794.00/208 : Telegram

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

TOKYO, September 3, 1940—6 p. m.
[Received September 3—11:20 a. m.]

778. A high ranking member of the Japanese diplomatic service who has been *en disponibilité* for the past year, who is a victim of the current purge, and who admitted that he was "in opposition" to the Government made certain remarks in a conversation today of which the following is a summary.

He stated that he believed everything in this country was on the downward path and that Japan's future was ruined; that a new ambassador was appointed to Berlin, a general whose name he did not divulge,⁵³ and that affairs were now going to move fast and disastrously. When asked whether he did not believe that developments would depend upon the Battle of Britain, [he] replied in the negative and stated that the decisions had already been taken, the die was cast and that it was already too late.

My informant who on the substance of the foregoing conversation stated that in his judgment the purport of the above was that Japan had decided irrevocably to pursue the southward advance policy at an early date, that is an attack upon French Indochina, Hong Kong and the Netherlands East Indies.

My own opinion is that the phrase "at an early date" is open to wide interpretation and that if the Government can control the armed

⁵² Chinese Minister of War (Military Affairs).

⁵³ Gen. Hiroshi Oshima, formerly Japanese Military Attaché and then Ambassador in Germany, succeeded Saburo Kurusu as Ambassador in 1941.

forces of Japan [it] will direct move with some degree of caution and that high pressure diplomacy will probably precede each step. Control of the army and navy is, however, an uncertain factor in the situation which needs to be watched.

Sent to the Department, repeated to Shanghai.

GREW

751G.94/59 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 4, 1940—9 a. m.

[Received 9:15 a. m.]

Referring to my telegram of September 3, 2 p. m.,⁵⁴ negotiations between the Governor General and the Japanese Mission yesterday resulted in an agreement to begin the discussions envisaged in the Tokyo-Vichy accord. The commanding officer of the Indochina forces and the Japanese are meeting today for that purpose. Governor General informed me that some of the limitations on the facilities to be granted the Japanese military will probably be unacceptable to the Japanese but I received the impression that the French will make concessions to avoid attack. Accordingly unless outside support be forthcoming it appears to be only a question of time before the Japanese military will have the desired facilities in Tongking for operations against China.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai. Chungking please repeat to Kunming. Hong Kong please repeat to Canton.

REED

751G.94/60 : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, September 4, 1940—6 p. m.

418. On September 4 the American Ambassador at Tokyo, under instructions from the Department, called on the Japanese Vice Minister for Foreign Affairs (in the absence of the Minister) and referred to reports from various sources that the Japanese Government had delivered an ultimatum to the French authorities in Indochina in connection with Japanese demands for the granting of passage through French territory of Japanese armed forces, et cetera. The Ambassador spoke emphatically of the attitude of the United States as well as of the expressed attitude—some weeks ago—of Japan on the subject of the maintenance of the *status quo* in French Indochina.

⁵⁴ Not printed.

and of the deplorable effect on American public opinion should the indicated intention of the Japanese forces be put into execution.⁵⁵

You are authorized in your discretion to inform the Foreign Office orally and informally of the substance of the foregoing.⁵⁶

HULL

756D.94/63 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, September 5, 1940—3 p. m.

[Received September 5—9:02 a. m.]

Reference is made to my telegram of August 14, 2 p. m., and to Tokyo's 761.⁵⁷

1. The Japanese committee to survey the oil situation composed of Mukai, president of [apparent omission] and seven experts arrived at Batavia August 27 but have not yet contacted either the Government authorities or the oil companies, thereby indicating that they are awaiting the arrival of Kobayashi about September 12.

2. The local authorities have not received any indication of what may be demanded during the forthcoming conference although I have been given in confidence the general attitude of this Government which is said to be as follows: Van Mook, Director of Economic Affairs, will probably represent this Government. He has informed me that he will take a reasonable attitude toward reasonable things but that he will not agree to the following: (1) further concessions, (2) any attempt to link the yen with the guilder, (3) the injection of political questions during the conversations, (4) any control or inspection of harbors, navigation, imports and exports, production, or any other internal and external [function?] of this country, (5) desire of the Japanese to increase the number of Japanese subordinate personnel in their establishments in the Netherlands Indies.

3. Since my contacts are excellent, any comments which the Department may care to make would be helpful.

FOOTE

⁵⁵ For instructions to the Ambassador in Japan concerning this matter, see telegram No. 334, September 3, 6 p. m., *Foreign Relations, Japan, 1931-1941*, vol. II, p. 291; for the Ambassador's report of representations made, see his telegram No. 789, September 4, 9 p. m., *ibid.*, p. 292. In an *aide-memoire* of September 4 (751G.94/110), the British Embassy informed the Department of State of instructions on September 3 to the British Ambassador in Japan to make similar representations, of the British Foreign Office's inquiry whether the United States would instruct Ambassador Grew correspondingly, and of instructions to the British Minister in Thailand to act at his discretion to dissuade the latter from taking precipitate action. The Embassy's *aide-memoire* was acknowledged orally.

⁵⁶ The Governor General of French Indochina was also informed of the American position by the Consul at Hanoi.

⁵⁷ Latter dated August 28, 9 p. m., p. 88.

893.24/873

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 5, 1940.

The British Ambassador, the Australian Minister and Sir Andrew Agnew, controller of the British oil industry (who recently talked to Dr. Hornbeck), came in at their request.

The Ambassador brought up the question of the reopening of the Burma Road by the British Government by the 15th of October, and raised the question as to the extent that this Government might cooperate in discouraging or deterring Japan from blocking such a step. He made suggestions about how we might protest about closing an international commercial highway, et cetera, et cetera.

He then took up the question of Japanese procurement of oil in the Netherlands East Indies and said that it was giving concern both to the owner and to the Netherlands Government. He stated that the disposition of the Netherlands Government was to be submissive and to refrain from any firmness when approached by Japan, and he expressed his further interest in this Government urging the Netherlands Government to be more firm, et cetera, et cetera. I expressed interest in both lines of comment, and said that we had already spoken to the Netherlands Government⁵⁸ and that we were making almost a daily record of opposition to Japanese expansion and Japanese aggression, which included all the different conditions to which the Ambassador referred; that this record of ours speaks for itself; that a few weeks in this respect were almost like a generation in normal times; that there was, therefore, no more for me to say at this stage.

Before the general exchange of information and ideas, I said to the Ambassador and to the Minister that there was no occasion at this time for any new subjects or proposals to be taken up and that this conversation should be restricted accordingly, and that we should be able truthfully to say to the public or to the press that our conversation was a sort of general exchange of information such as occurs during the periodic visits here of the British Ambassador, and that there were no requests and no decisions made. To this they unequivocally agreed with the result that the conversation was correspondingly abbreviated and restricted.

C[ORDELL] H[ULL]

⁵⁸ See memorandum by the Assistant Chief of the Division of Far Eastern Affairs, July 31, p. 58.

751G.92/9: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 5, 1940—3 p. m.

[Received September 6—4 a. m.]

67. On the basis of conversations which I have had today with officials including the Deputy Minister of Foreign Affairs, I am of the opinion that the Thai leaders are determined to reclaim their so-called "lost province" in Indochina in the event of any change in the *status quo* unless a very heavy restraining hand is applied by Great Britain and the United States. As events move rapidly in Indochina, as reported from various sources yesterday and today, the ambitious Thai leaders, fearful of being left out in the cold while the Japanese move in and take over control of Indochina, are straining at the bit and it would not be surprising if they should send their forces across the frontier simultaneously with the movement of Japanese troops into Indochina. According to reliable reports, the Thai have from 80,000 to 100,000 men under arms, they are calling up reservists and, as admitted to me by the Deputy Minister, they have strengthened the border police and have moved some of their planes nearer the frontier, ostensibly to prevent French planes from flying over Thai territory as alleged. There is no excitement in Bangkok, but I am convinced that the leaders are quietly making their plans for any eventuality on the basis of their very strong belief that the Japanese are preparing to move into Indochina. According to the Deputy Minister, the Japanese Consuls and subjects in Indochina have been ordered to leave the country today. He confirmed information which I received last night from the Agent and Consul General [at] Saigon⁶⁰ to the effect that the Thai missions to Tokyo which stopped in Indochina had canceled certain engagements with the French authorities in Saigon in order to hasten on for consultations with the Japanese. The Deputy Minister stated also that he understood on the best of authority that the Japanese had not delivered an "ultimatum" to the French authorities in Indochina but had made certain "demands" which were still under consideration calling for permission to march Japanese troops through the northern section of Indochina and for military bases.

The British Minister, who is keeping in close touch with the French Minister on the Indochina situation, has informed me that the French Governor General in Indochina a few days ago requested the British Consul General there⁶¹ to urge the British Government to bring its

⁶⁰ Peter H. A. Flood, Consul at Saigon.

⁶¹ H. B. Henderson.

influence to bear to prevent if possible any action in Indochina by the Thai, that he (the French Governor General) proposed to resist any Japanese aggression and that he wanted a free hand. In reply the British Government communicated with the British Minister who yesterday sent a personal message to the Thai Prime Minister and Minister of Foreign Affairs through the Deputy Minister of Foreign Affairs urging the Thai Government to exercise restraint in connection with the Indochina affair. The British Minister expressed the opinion that a similar *démarche* on the part of my Government would be extremely helpful at this juncture. In this connection the substance of the Department's telegram 37, August 21, 6 p. m., was communicated orally to the Thailand Government on August 24th. I also followed the Department's suggestion in the last paragraph of the telegram in question.

In reply to the Department's telegram 42, September 3, 6 p. m.,⁶² it would appear, on the basis of confidential information which I received today from the Deputy Minister of Foreign Affairs, that the inquiry of the Japanese Chargé d'Affaires⁶³ was motivated perhaps by a keen desire on the part of the Japanese Government to learn the attitude of my Government towards the Thailand proposal for the return of the Thai territory in Indochina in the event of a Japanese invasion. The Deputy Minister said the Japanese official had approached him as to the attitude of the American Government towards the Thailand proposal before the Department's reply had been received by the Thailand Government. He said he had replied that he could give such information to the Japanese Chargé d'Affaires only with the approval of the American Minister. I then said to the Deputy Minister that I saw no objection to giving the Japanese representative the substance of the Department's formal reply, i. e. the Secretary's statement to the press of July 16, 1937.⁶⁴ In reply to my further inquiry as to how the Japanese Chargé d'Affaires learned of the Thai inquiry addressed to my Government, the Deputy Minister said he assumed that he received his information through either the German or Italian Legation which had also received the inquiry of the Thai Government. The Deputy Minister said that the Japanese Chargé d'Affaires had made reference only to the reply of the American Government in making his inquiry.

The foregoing except the last paragraph has been repeated to Tokyo.

GRANT

⁶² Not printed.

⁶³ See telegram No. 64, August 31, 11 a. m., from the Minister in Thailand, p. 91.

⁶⁴ *Foreign Relations, Japan, 1931-1941, vol. 1, p. 325.*

751G.94/68: Telegram

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

TOKYO, September 5, 1940—6 p. m.
[Received September 5—9: 13 a. m.]

801. Department's 335, September 4, 5 p. m.,⁶⁵ French Indochina. I have informed the French Ambassador of my approach to the Vice Minister for Foreign Affairs.⁶⁶

In view of the fact that the relations between the British and French Embassies in Tokyo are such that an exchange of information between them is virtually out of the question, I have also informed the French Ambassador of the fact that the British Ambassador had made similar representations, and have so informed the British Ambassador.

With reference to the last quoted sentence in our 798, September 5, noon,⁶⁵ my French colleague has informed me in strictest confidence and "as for Mr. Grew, not as for the American Ambassador" that an agreement had in fact been reached on August 30 in Tokyo to the effect that the Japanese were to be granted such facilities for the landing and passage of the requisite number of troops through Indochina territory, and for the use of land and air bases, as were considered necessary by the Japanese for the prosecution of the hostilities against China. He stated that the Japanese had not at any stage asked for, nor the French offered, a naval base or bases to the Japanese in Indochina. He further stated that he had just been informed orally by the Foreign Office here that complete agreement regarding the technical details had just been reached between the Japanese and the Indochina authorities at Saigon; he was, however, as yet without confirmation in this regard either from Saigon or Vichy.

GREW

751G.94/70: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 5, 1940—6 p. m.
[Received 11: 15 p. m.]

496. Department's telegram No. 379, August 26, 6 p. m. and my telegram No. 438, August 27, 7 p. m., especially penultimate paragraph. Foreign Minister Baudoin asked me to call on him this afternoon. He said that on August 31 a "political agreement" had been signed with Japan. Thereunder Japan recognized "permanent

⁶⁵ Not printed.

⁶⁶ See telegram No. 789, September 4, 9 p. m., *Foreign Relations, Japan, 1931-1941*, vol. II, p. 292.

French interest in Indo-China and the integrity of and French sovereignty over Indo-China"; France in turn recognized the "preponderance of Japanese interest" in that area. This agreement stipulates that it comes into force subject to the conclusion of two supplementary accords, one economic and the other military. Under the economic agreement France will recognize the "privileged position" of Japan. Negotiations have not yet commenced but Baudoin believes it will be relatively easy to reach an agreement if a military accord is concluded. Negotiations for the military accord were begun a few days ago at Hanoi. The French are endeavoring to restrict the Japanese to right of passage of a small and definitely limited number of troops (via Tongkong Bay) and to the temporary use of two airdromes. The Japanese particularly the Canton army are demanding military concessions of greater scope including the right of passage for a much greater number of troops and the use of a greater number of airdromes. The Japanese lost patience he said and delivered an ultimatum that unless the Japanese demands were accepted by the morning of September 5 the invasion of Indo-China would commence. The French replied that they would fight regardless of the consequences rather than accept such an ultimatum, whereupon the Japanese backed down. Negotiations have been resumed but Baudoin does not know whether they will result in agreement. If not, the political accord becomes null and void. Meanwhile he said there is also the possibility that the Chinese may on their side move into Indo-China to forestall the Japanese advance. He said that he realized the great interest of our government in the question and he hoped we would understand how difficult and tragic is France's position. He promised to keep me informed of developments which he thought might "come to a head" in the next 48 hours.

I shall endeavor to see Chauvel tomorrow.

MATTHEWS

751G.92/6: Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, September 5, 1940—7 p. m.

44. 1. Department's 37, August 21, 6 p. m. Please report whether you have taken the action suggested, together with any indications which you have had of the reaction of the Thai authorities to what you may have said.

2. Department's 42, September 3.⁶⁷ Please reply.

3. Department has received from various sources reports indicating uneasiness regarding possible intentions of Thailand in relation

⁶⁷ Not printed; it requested further information.

to the French Indochina situation. Department assumes that you are keeping closely in touch with your principally interested diplomatic colleagues as well as with the Thai Government in regard to potentialities of that situation and wishes to be kept currently informed of any developments of which you learn that may be of interest to the Department.

4. Department desires that you keep in mind the importance of your using, discreetly, when and as opportunity offers, your influence in the direction of discouraging action by the Thai Government which, if taken, might tend to complicate the already disturbed situation in southeast Asia.

HULL

751G.94/75: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 6, 1940—4 p. m.

[Received 6:45 p. m.]

505. Department's telegram No. 418, September 4, 6 p. m. (received this morning) and my telegram No. 496, September 5, 6 p. m. I saw Chauvel this morning and conveyed to him orally the substance of Department's 418. He expressed appreciation for the information contained therein. He seems to feel that in view of France's firm attitude, the Japanese will in the near future come to an agreement limiting the number and scope of operations of troops passing through Indo-China. He says he is sure, however, that the Japanese will not abandon their purpose of passing through that territory. An important factor he admitted in the "more reasonable" attitude now adopted by the Japanese is the massing of Chinese troops in considerable numbers on the border of French Indo-China—a development which he believes has occasioned surprise to the Japanese. In fact, he said, presumably Indo-China will in any event become a battleground rather than just a transport route for Japanese troops into China; the Chinese will cross the frontier just as soon as the agreement is reached.

He could or would give me no detailed information as to the nature of the Japanese military demands, the number of troops they wish to send into the country or the routes over which they are demanding passage rights: All this, he said, is being discussed at Hanoi.

I must reiterate that I perceive no likelihood that the French Government having committed itself to a willingness to negotiate on the question of Japanese troop passage will take a stand against such entry into Indo-Chinese territory. It will, however, I believe continue to do all possible to limit the scope and permanence thereof.

Chauvel said in this connection that it would be very helpful if we could obtain from the Japanese the same assurances as the French with respect to the temporary nature of this military movement and the preservation of the independence and integrity of French Indo-China.

MATTHEWS

751G.94/73: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 6, 1940—5 p. m.

[Received September 6—1:45 p. m.]

The agreement referred to in my telegram of September 5, 11 a. m.,⁶⁸ signed by Generals Martin and Nishihara on September 4 is understood to be an agreement to negotiate Japanese military facilities in Tongking in accordance with the terms of the Tokyo-Vichy accord.

I am informed that despite Japanese pressure the Indochinese authorities are endeavoring generally to delay action as long as possible.

The Japanese are understood to be demanding the use of 1 port, 3 highways, 2 railroads and 3 airports, all north of the Red River. However, few believe that these terms being granted the Japanese will be satisfied.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton. Chungking please repeat to Kunming.

REED

751G.94/77: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 7, 1940—noon.

[Received 1:35 p. m.]

This morning the Governor General informed me that negotiations with the Japanese have been suspended as a result of 2 incidents within the last 2 days (Japanese airplanes over Langson and Japanese troops entering Dongdang—they have now withdrawn to China). He told the Japanese that he refused to negotiate under constant pressure and military menaces. He expressed his appreciation of the action by the United States Government vis-à-vis the *status quo* in Indochina and stated his conviction that a crucial point has been reached in "white" relations with Japan, particularly as a Japanese foothold in Tongking would mean an eventual attempt to obtain all of Indochina. He added

⁶⁸ Not printed.

that this would provide a Japanese base of operations to the south, concluding that this would affect the political situation in Thailand as regards relations with Great Britain and other European possessions in the Far East.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hongkong, Shanghai, Canton. Chungking please repeat to Kunming.

REED

751G.92/13 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 7, 1940—noon.

[Received 5:15 p. m.]

69. Legation's telegram 67, September 5, 3 p. m. The Deputy Minister of Foreign Affairs said his Government proposed to deal with the French authorities and not with the Japanese in making its claim for the return of the territories in Indo-China in the event of any change in the *status quo*, and further that this had been made known to the French Minister in Bangkok who had been requested to transmit the Thai proposal to his Government.

GRANT

751G.94/75 : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, September 9, 1940—6 p. m.

440. Your 496, September 5, 6 p. m., and 505, September 6, 4 p. m., Department's 418, September 4, 6 p. m. On the occasion of Ambassador Grew's representations described in the Department's telegram under reference, the Japanese Vice Minister for Foreign Affairs orally informed Mr. Grew that there would be no permanent occupation of Indochina by the Japanese forces, which would be withdrawn as soon as the military necessity no longer exists.

In your discretion, you may orally and informally communicate to Chauvel the substance of the above and make comment along lines as follows:

The situation in the Far East is one which for some time, as the French Government is aware, has been followed with the closest attention by this Government. Recently, at a moment when we felt that our policies and those of France were parallel, the French authorities approached us with a view to cooperative effort in regard to developments relating to Indochina, and this Government took action in reaffirmation of its previously declared interest—as the French Government has been informed. It now appears that, notwithstanding our request to be kept fully apprised of the trend of

negotiations on which the Vichy Government was engaged, certain important information regarding developments was not given us, and we were naturally surprised upon learning of the measure of assent on the part of the French Government that had been permitted to develop. This Government, of course, recognizes that situations arise in which it is sometimes necessary or advisable to acquiesce in restrictions imposed unilaterally upon rights. We feel, however, that there is little if any warrant for entering into agreements which give affirmative assent to a derogation of principles and certainly no warrant for acquiescing in restrictions upon and violation of rights at a moment when we are being asked to cooperate in support of those rights.

You should say, in addition, that this Government deprecates the giving of a recognition by the French Government to a claim of a Japanese preponderance of interest and a privileged economic position in Indochina and an assent to a violation by Japan of French and other rights and interests there; that we perceive no good reason for associating ourselves with an assent to an unlawful procedure by asking Japan to give us the same assurances that it has given to the French Government; and that we wonder what value may be attached to such assurances.

Please emphasize that our interest in the maintenance of the *status quo* in French Indochina arises out of and is a part of the general policy which this Government endeavors constantly and consistently to pursue of respect for the *status quo* except as changes may be and are brought about through orderly processes with due consideration for the rights and the legitimate interests of all concerned. This policy we believe to be sound; we endeavor to pursue it in the entirety of our foreign relations; and we recommend it unreservedly to all other governments. We believe that the French Government favors it in principle and we hope that the French Government will find possible to favor it in practice.

HULL

756.94/175 : Telegram

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

Tokyo, September 11, 1940—4 p. m.
[Received September 11—9:55 a. m.]

816. Our 762, August 28 [29], 9 [5] p. m.

1. My Netherlands colleague has made available to me a copy of the Netherlands memorandum dated September 4 which is in reply to the memorandum handed to him by the Japanese Government on August 27. The following is a summary of the Netherlands reply.

2. The Netherlands Minister apologizes for the delay in reply to the Japanese memorandum of August 27 and expresses the appreciation of his Government for the appointment of Kobayashi, a Cabinet Minister, to go as Japanese representative to the Netherlands East Indies.

The Governor General will wish to receive the mission personally but his position as Viceroy will prohibit his taking part in the deliberations. The Netherlands Government will appoint a high state dignitary as its representative.

It is hoped that the Japanese Government will understand that some time will be required for careful study of the Japanese desiderata, a delay which might have been avoided had the Japanese Government, as verbally requested some time ago by the Netherlands Minister, communicated the details in advance.

It is the understanding of the Netherlands Government that the scope of the discussions will not include political matters but will be of an exclusively economic character.

3. On September 6 the Netherlands Minister informed the Japanese Government that the Netherlands Indies authorities would designate as the Netherlands special representative Mr. Van Mook, head of the Economic Department at Batavia.

GREW

751G.94/118

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Henry-Haye)

[WASHINGTON,] September 11, 1940.

The Ambassador called attention to a cable he had received on September seventh from Vichy, which, according to him, made it definite that the Government of Indochina had agreed to negotiate with the Japanese relative to a right of way for Japanese military purposes through Indochina and the right to station a Japanese command there for guard purposes. I said that this was another one of several occurrences which caused the American people to think that the French Government at Vichy was not keeping up those extremely important relations between our two countries as heretofore; that the Government of the United States had contested in every way short of military activities every inch of the Japanese movement of aggression, which is intended to cover every square foot of land and sea from Hawaii to Siam for the purpose of the most drastic military, political and economic domination on the sole theory of enriching Japan and Japanese citizens at the expense of the natives everywhere, while all foreign nationals would be driven out and could only return to the Pacific area by paying sky-scraping preferences wherever a preference would be of any value to the Japanese interests; that this invasion contemplates the destruction of all international law, treaty obligations, sovereignty

of other nations and liberty of their citizens, together with Japanese economic and financial monopolies of any and all kinds, as well. It was in these circumstances, while the United States was thus denying the right of Japan to assert such domination and insisting on the principle of equality in all commercial, industrial and other worthwhile relationships among nations, that the French Government in Indochina, presumably under the direction of the Government at Vichy, has taken the opposite position as to these principles and doctrines and freely conceded to Japan superior and exclusive influence and control in the Pacific area and preferences of all kinds such as must be combated unless two or three nations are to monopolize the world economic and political situation; that to clinch this position the French Government in Indochina agreed to negotiate away the broadest and most vital phase of our contention and our opposition to Japanese intervention in such countries as Indochina, the Netherlands East Indies, et al; that a few weeks ago Japan had solemnly pledged to keep the *status quo* with respect to all these areas, and the French Government cannot imagine our surprise and disappointment when it took this step without any notice whatever to us.

The Ambassador repeatedly assured me that he would take this matter up at once with his Government, but, of course, it would seem now to be too late.

C[ORDELL] H[ULL]

751G.92/6: Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, September 11, 1940—5 p. m.

46. Reference Department's 44, September 5, 7 p. m., with special reference to paragraph numbered 4. The Thai Minister⁶⁹ called today in response to the Department's request, and an officer of the Department made an oral statement to him along lines as follows:

"The Government of the United States is much concerned over reports that the Thai Government is contemplating the sending of its military forces into French Indochina for the purpose of reclaiming by military action territory which now forms a part of French Indochina. The Government of the United States earnestly hopes that these reports have no foundation in fact. If it should become known that the Thai Government intended to take advantage of the present weakness of the French Government by sending a military force into French Indochina, such information would tend to encourage or to precipitate other aggressive action against French Indochina and thus inevitably result in a further spread of hostilities which this Government feels would ultimately be disastrous to Thailand and

⁶⁹ Mom Rajawongse Seni Pramoj.

would certainly impair the friendly relations which this Government has happily so long enjoyed with the Thai Government and people.

This Government has already made known to the Thai Government its deep interest in preventing the spread of hostilities in the Pacific area and its belief that the adjustment of problems in international relations should be reached by peaceful negotiation and uncoerced agreement. This Government again expresses its earnest hope that the Thai Government will, as in the past, adhere to the universal principles of fair dealing and good neighborliness to which this Government stands committed."

The Department suggests that in your further approaches to high officials of the Thai Government in regard to the subject under reference you may appropriately make comment substantially similar to the foregoing.

HULL

756D.94/63 : Telegram

The Secretary of State to the Consul General at Batavia (Foote)

WASHINGTON, September 11, 1940—7 p. m.

Your September 5, 3 p. m. The Department has noted with gratification the statements of the Director of Economic Affairs which you mention in your telegram under reference.

As the authorities of the Netherlands East Indies are aware, the situation in southeastern Asia is one which for some time has been followed with the closest attention by this Government as evidenced by the Secretary's statements of April 17,⁷⁰ May 11⁷¹ and September 4⁷² in regard to the maintenance of the *status quo* of the Pacific area, with particular reference to the Netherlands East Indies and French Indochina.

While, as indicated in the Secretary's statement of April 17, many countries, including the United States, depend substantially upon the Netherlands East Indies for some important essential commodities, our interest in the maintenance of the *status quo* in the Pacific area in general arises out of and is part of the general policy which this Government endeavors constantly and consistently to pursue of respect for the *status quo* except as changes may be and are brought about through orderly process with due consideration for the rights and interests of all concerned. This policy we believe to be sound; we endeavor to pursue it in the entirety of our foreign relations; and we recommend it unreservedly to all other governments and peoples. We believe that the authorities of the Netherlands East Indies favor it in principle and we hope that they will continue to favor it in practice.

⁷⁰ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 281.

⁷¹ *Ibid.*, p. 285.

⁷² Department of State *Bulletin*, September 7, 1940, p. 196.

We hope that the Netherlands East Indies authorities will continue to keep you fully informed of pertinent developments in order that this Government may be in position to give appropriate consideration, within the framework of its established policies, to problems of common or mutual interest. Especially in the economic field, this Government would be prepared to give consideration to possible helpful action in regard to economic problems which might arise as a consequence of the cutting off of the Netherlands East Indies from normal markets and sources of supply and in connection with which this Government might practicably be helpful.

Please seek an occasion to communicate the substance of the above to the Director of Economic Affairs and other appropriate officials.

In reference especially to the conference regarding petroleum and related questions in which on the commercial side American interests are concerned and are participating, we suggest that you maintain close contact with the American representatives, informing them that you would appreciate being kept informed of progress and important developments, that you are instructed informally to render appropriate assistance, and that you have been asked and will expect to report to the Department, but stating that your Government does not wish to intrude or, unless need should develop for official assistance, to appear in the picture. We believe that Mr. Kay fully understands our attitude and shares our views regarding potentialities of the situation and ways and means adapted to serving American policy and safeguarding American interests. His principals are keeping us informed of the news which they receive and their views, and are thoroughly cooperative.

HULL

751G.94/88: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 11, 1940—7 p. m.

[Received 11:48 p. m.]

544. I took occasion this morning to communicate the substance of the Department's telegram No. 440, September 9, 6 p. m. to Chauvel and endeavored to emphasize the unfortunate effect which present French policy in the Far East is having in the United States. Chauvel was visibly impressed and I believe plans at least to transmit some explanation of the French Government's position either through me or the French Embassy at Washington. He stated that Ambassador Grew's representations had been decidedly helpful but that unfortunately they had been made too late. The French Government, he said, when the question first arose in June had through Saint-Quentin

informed us of its critical position in the hope that our Government might then make some *démarche*. As he recalled it, Saint-Quentin had telegraphed that he had been informed by the Department that we were unable under the circumstances "to assume any additional responsibilities in the Far East". Faced then with "this indication that we could render no tangible assistance" and the fear that a firm attitude on the part of France in the Far East would result in the loss of a few more departments in metropolitan France by action at Wiesbaden, the French "alone and helpless" had decided to admit in principle the possibility of Japanese troop passage through Indo-China in the hope of restricting the scale and duration of facilities to a minimum.

In reply to my question he freely admitted as he has before (my telegram No. 438, August 27, 7 p. m.) that the Germans have as yet taken no position whatsoever on the situation in the Far East. The French know however that there has been a complete exchange of information between the Germans and the Japanese and the possibility of German pressure still remains.

The situation has improved now, Chauvel said, partly because of the presence of Chinese in force on the Indochinese border, partly because of our stronger attitude and for other reasons. The Japanese he said are showing themselves each day more "acquiescent" to French suggestions and the French are accordingly increasing their demands for safeguards and restrictions. The Japanese are agreeing to limit the number of troops crossing through Indochina—not the total number passing through but the number to be on Indochinese territory at any one time and the area of transit. They have also reduced their demands with respect to use of airdromes and have expressed willingness to permit a certain control thereof by the French. As you are probably aware, the Japanese did cross the Indo-Chinese frontier near the Yunnan Railway but promptly withdrew.

The military agreement referred to in my telegram No. 496, September 5, 6 p. m. has not yet been reached though negotiations are proceeding smoothly. No discussion has commenced with respect to the economic accord. Chauvel who was somewhat hazy on the point said that he understood that any such agreement would involve a complete change in the French customs system: at present the Indo-Chinese customs régime is assimilated to that of France. Any compliance with the Japanese demands—"and they want everything"—would require the extension of rather complete autonomy to the Indo-Chinese Government which the French are reluctant to grant.

In the past few days, said Chauvel, the Thailanders acting on Japanese propaganda reports of the agreement with the French have made as they do periodically their own territorial demands on the Indo-Chinese Government. The French have informed the Japanese

that if the recent political agreement respecting the integrity and sovereignty of Indo-China is to mean anything they expect the Japanese in view of their influence in Thailand to urge the Thailanders to abandon their demands—demands he said which were openly encouraged by the Japanese Military Attaché at Bangkok. Chauvel added that the French Minister at Bangkok had been instructed to inform our Minister and through him the British Minister.

In conclusion Chauvel reiterated that the political agreement referred to in my telegram No. 496, September 5, 6 p. m., was entirely dependent upon reaching military and economic accords: if the latter are not completed, the political agreement will fall to the ground.

I feel that your message should have some stiffening effect on Chauvel at least. Whether it will influence his chief in any way I cannot say.

(In conversation with Heinzen of the United Press yesterday—my telegram No. 534, September 10, 4 p. m.⁷³—Baudoin brought up the Far East. He told Heinzen that he had asked our Government whether we would give any help to France if the Japanese attacked Indochina and that our reply through Saint-Quentin had been a prompt and categorical “no”.)

MATTHEWS

751G.92/15: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 12, 1940—3 p. m.
[Received September 12—10:15 a. m.]

74. With further reference to the Legation's telegram No. 72, September 8, 10 p. m.,⁷³ the French Minister has just advised me that he was informed in a conference this morning with the Thailand Deputy Minister of Foreign Affairs that the Thailand Government has not yet sent the telegram which was prepared for transmission last week to the Vichy Government requesting the immediate cession of two sections of territory in Indochina and the reservation of a part of Cambodia in the event of the invasion of Indochina by either Japan or Germany. The Deputy Minister said his Government would defer sending the telegram pending the receipt of the information from its military mission which is now en route to Tokyo.

The French Minister stated that he had communicated the substance of the Thailand Government's desires to the Vichy Government which had replied to him (the French Minister) indicating its opposition to the Thailand proposal and its determination to deal only with the Japanese Government. In the strictest confidence the

⁷³ Not printed.

French Minister told me he is confident that, in accordance with a general agreement reached in Tokyo on August 30 between Japan and the Vichy Government, Japanese troops will begin soon to march into Indochina and from then on there will be a gradual and, it is hoped by both parties, a peaceful penetration of the country. He indicated that it is his belief that the totalitarian powers have a definite agreement with Japan to this end and that Vichy is going along.

GRANT

751G.94/112

The British Embassy to the Department of State

AIDE-MÉMOIRE

The British Ambassador at Tokyo has been instructed to concert with his United States colleague and, provided he sees no serious objection, to call on the Japanese Minister for Foreign Affairs and, after conveying to him the information summarized in the annexure hereto⁷⁵ and based on reports received from the British Consul General at Haiphong, to say that His Majesty's Government in the United Kingdom cannot but be gravely disquieted by the news that an ultimatum should have been delivered to the French authorities in Indo-China by the Japanese authorities on the spot without the knowledge and therefore presumably the consent of the Japanese Government. Sir Robert Craigie would add that His Majesty's Government find it difficult to escape the impression that advantage is being taken of the difficulties in which France and Indo-China find themselves to put pressure upon them to agree to measures of profound political and strategic importance affecting not only Indo-China and China proper but all countries who have interests in the Far East. In so far as these measures appear to be designed to facilitate an attack from a new quarter on the forces of the Chinese National Government Sir Robert Craigie would add that they seem to His Majesty's Government to be inconsistent with the spirit of the Burma Road agreement (since it would be cynical to assert that a new offensive can be regarded as a sincere effort to conclude a just and equitable peace). Finally Sir Robert Craigie would express the hope that the Japanese Minister for Foreign Affairs will be able to give him a reassuring reply to convey to His Majesty's Government.

His Majesty's Government will be glad to know whether the United States Government are prepared to instruct the United States Ambassador at Tokyo to make further representations to the Japanese Government on lines similar to the foregoing.

WASHINGTON, September 12, 1940.

⁷⁵ Not printed.

751G.92/19 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 13, 1940—2 p. m.

[Received September 14—11:10 a. m.]

75. Referring to the Legation's telegram No. 74, September 12, 3 p. m., to the Department's telegram No. 46, September 11, 5 p. m. and to previous telegrams sent by the Legation and received from the Department. I have today had a conference lasting more than 1 hour with the Deputy Minister of Foreign Affairs, who represents the Prime Minister and Minister of Foreign Affairs, on the subject of Indo-China. The Deputy Minister of Foreign Affairs informed me confidentially that his Government had received 2 days ago from the Vichy Government a telegram in which it was suggested that the pact of non-aggression between France and Thailand, which was signed June 14 last, be put into force immediately without the usual formal exchange of the instruments of ratification. The Deputy Minister of Foreign Affairs added that his Government had replied to the Vichy Government the same day, yesterday, Thursday, asking "not demanding" that the Vichy Government enter into agreement with the Thai Government to provide as follows:

(1) Rectification of the boundary between Thailand and Indo-China in certain portions of the river Mekong to which reference was made in the Legation's telegram 72, September 8, 10 p. m.⁷⁶

(2) "Correction of certain artificial frontiers between Thailand and Indo-China", the territory in question, as orally described to me by the Deputy Minister of Foreign Affairs, being the two sections, formerly Thailand territory, incorporated in 1 and 2 of the above-mentioned telegram from the Legation.

(3) Return to Thailand of all territory in Indo-China which was ceded to France by Thailand, "in the event of a change of sovereignty over Indo-China."

According to the Deputy Minister of Foreign Affairs, the territory sought now by Thailand, which is designated under (2) above, comprises roughly only about one-seventh of the Thailand territory in Indo-China which was ceded to France. He stated further that his Government does not contemplate the use of force in prosecuting its claim. He reiterated that his Government believes strongly that the Japanese are going to obtain control of his Government [Indo-China?] and therefore it wants a return of the former Thailand territory before this occurs; hence his Government is seeking to negotiate the matter in an amicable way with the Vichy Government. The Deputy Minister stated further that no replies to the inquiry of

⁷⁶ Not printed.

his Government concerning the attitude of certain Governments towards the Thai proposal had been received so far from either Germany of [or] Italy and he pointed out that although the British had advised this Government not to prosecute the claim they had indicated a friendly interest in the legality of the claim. This confirms the statement made to me by the British Minister to which reference is made in the fourth paragraph of the Legation's telegram No. 51, August 15, 2 p. m.

Foregoing repeated to Saigon, Chungking, Tokyo.

Pursuing the line of argument against such action as that proposed by the Thai Government, which I used in my conversation with the Deputy Minister of Foreign Affairs on August 24, pursuant to the suggestion in the last paragraph of the Department's telegram 37, August 21, 6 p. m., I pointed out to the Deputy Minister that my Government is strongly of the opinion that the *status quo* should be strictly maintained in this area of the world including Indochina, to the end that the present disturbed conditions of the world may not be further aggravated, and that my Government, therefore, is hopeful that the Government of Thai, a country at peace in a war-torn world, when firmly resolved to make its contribution in the matter by refraining from taking any action which might, without design, constitute an act of aggression or which might, either directly or indirectly, tend to encourage aggression by a third party. I also pointed out the possible hazards to Thailand in such an enterprise as that proposed by the Thai Government, since the country is now tranquil with much constructive work, which has already been initiated by the new régime in Thailand, to be accomplished within the present boundaries of Thailand. An extension of territory in such times as these and under the abnormal conditions existing in Indochina, I said, might easily bring a long train of troubles to the Thai Government and people. Furthermore, I stated, the exercise of restraint on the part of the Thai Government at this time would without a doubt excite the admiration and friendship of those countries which are seeking to curb the spread of the world conflagration. Thailand would, therefore, have a much better case involving the claim to territories to which she believes she is entitled when the great war is terminated and the time comes for a settlement which, I said, I visualize. I made it clear that the last point was strictly my own personal opinion.

The Deputy Minister of Foreign Affairs intervened at this point of the conversation to inquire if I thought my Government would be present at such a settlement. I replied that it is my personal opinion that it will be present.

In conclusion, the Deputy Minister, who manifested keen interest throughout the conversation, making notes as I made my statement, said he would transmit my message to the Prime Minister and Minister of Foreign Affairs.

I am of the opinion that the Department would strengthen the effort to influence the Thai Government to exercise restraint if it would communicate immediately through the Legation a statement to be transmitted orally to the Thai Government to the effect that the American Government is not unmindful of the feelings of the Thai regarding the territories in Indochina which formerly were a part of Thailand but that it believes the Thai claims would be on more solid foundation for possible future settlement if no precipitate action is taken now or at any time during the present world crisis.

GRANT

756D.94/64 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, September 14, 1940—1 p. m.
[Received September 14—8 a. m.]

Reference is made to my telegram of September 5, 3 p. m. Kobayashi delegation arrived September 12 and was received with such warm courtesies that many people are of the opinion that the Netherlands Indies lost the first round. I am inclined to agree.

The negotiations have not begun except that Kobayashi intimated that the Director of Economic Affairs has not sufficient rank. The reply was to the effect that if the question does not arise officially he will be able to see the Governor General from time to time concerning important developments.

A memorandum from the Japanese delegation indicates that they will ask for 3 million tons of petroleum products per annum, availability guaranteed by this government. Kay informs me that his company is negotiating with the Japanese authorities at Yokohama, thus indicating that the question here will be political rather than commercial.

The substance of the Department's telegram of September 11, 7 p. m. has been brought to the attention of the proper authorities. While they appeared to be very appreciative they were equally dismayed because of a report from the Netherlands Minister at Washington to the effect that American manufacturers had just cancelled this Government's contracts for munitions of war.

There will probably not be any developments of importance before the end of next week.

FOOTE

751G.94/238

*The Counselor of the British Embassy (Butler) to the Adviser on Political Relations (Hornbeck)*⁷⁷

WASHINGTON, September 14, 1940.

DEAR MR. HORNBECK: We have just received from the Foreign Office a telegram with all the markings of urgency, saying that the War Office in London have received a telegram dated September 13th from the British Military Liaison Officer at Hanoi to the effect that the Vichy Government have ordered the acceptance of the Japanese demands, and that negotiations have been resumed. The French General Officer commanding and the Air Officer commanding consider that the key to the situation is the arrival of fighter planes, even if only a few as a gesture. The telegram from Hanoi goes on to say that the French General suggests the possible purchase of these from Manila, and ample funds are said to be available for payment.

Our Military Liaison Officer at Hanoi stresses that action must be quick to save the situation; the French General's attitude being one of desperation, though he is unwilling to cede anything to the Japanese.

In regard to the above, the telegram from Lord Halifax asks whether the United States Government are able and prepared to do anything to help. I would add that a week ago we heard from our Consul General in Haiphong that a suggestion had been broached locally that American Army aeroplanes in the Philippines might be passed to the French, and the United States authorities supplied with types previously ordered by the French in the United States; and secondly, that in the matter of air support we are ourselves doing our small best. We heard yesterday that the Governor of Hong Kong had been instructed to release seven moth aeroplanes for the Government of Indo China, the latter having indicated that they would very much like to have them for training purposes.

Should you wish to consult the Embassy Bramwell⁷⁸ will be available there with the papers and he could get me if required, but I had planned to be out with my family between 6.30 and 10 p. m.

Yours very sincerely,

NEVILLE BUTLER

⁷⁷ Notation by the Adviser on Political Relations: "Ack[nowledge]d orally".

⁷⁸ Christopher Bramwell, First Secretary of the British Embassy.

751G.92/22 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 15, 1940—6 p. m.
[Received September 16—10 : 55 a. m.]

79. Referring further to the Legation's telegrams 75, September 13, 2 p. m., and 77, September 14, 10 p. m.⁷⁹ Further conversations today reveal that the Thai Government will be willing to accede to the request of the Vichy Government that the pact of non-aggression between the two countries shall come into force without the usual formalities, provided both sides agree first on points 1 and 2, incorporated in the text of *aide-mémoire*, which was sent to the Vichy Government by the Thai Government and which is quoted in the Legation's telegram No. 70 [78], September 15, 4 p. m.⁸⁰ Point 1, it is understood, has already been agreed upon in principle by the two Governments, only the details remaining to be worked out by the Governments of Thai and Indochina. Point 2 is a new element which, it is claimed, has been introduced as the result of the fear of the Thai that the Japanese will march in and appear on Thai frontiers which are regarded as artificial by the Thai Government. The proposed return of the territories of Laos and Cambodia, as indicated in the last paragraph of the *aide-mémoire*, it would appear is not regarded as condition for the agreement to bring into force the pact of non-aggression although such an agreement on the part of the Vichy Government as proposed by the Thai is earnestly desired by the Thai Government.

The French Minister informed me today in strict confidence that he had received official information to the effect that definite agreement has been reached between the Vichy and the Japanese Governments to provide for permission to march Japanese troops through the northern part of Indochina into China. He believes other commitments have been made also. Therefore, the French Minister pointed out, the *status quo* in Indochina has already been upset and this, he believes, strengthens the claims of the Thai. In this connection he revealed to me that in his recent conversation with the Thai Prime Minister and Minister of Foreign Affairs at Lopburi (reference is made to the Legation's telegram number 72, September 8, 10 p. m.⁸¹) the Prime Minister stated that the Japanese had promised to give the Thai what they

⁷⁹ Latter not printed.

⁸⁰ Not printed; the two points referred to were as follows: "1, the fixation of the Mekong frontier by the deep water channel and the settlement of all other outstanding administrative questions as provided by the exchange of letters under date of 12th June; and 2, the adoption of the Mekong as the frontier between the two countries from the north to the south as far as the frontier of Cambodia, involving the retrocession to Thailand of territories on the right bank of the Mekong opposite to Luang Prabang and Pakse." (751G.92/21.)

⁸¹ Not printed.

wanted in Indochina but that the Thai Government preferred to deal with the French Government. The Prime Minister, according to further revelation of the French Minister, said that although Great Britain and the United States were urging the maintenance of the *status quo* in Indochina he (the Prime Minister) had not seen any British and American warships for the enforcement of same.

In a conversation today with the British Minister it was revealed that the British, as result of the fear that the Japanese may establish themselves in a sphere of influence in Indochina on the Thai frontier, as reported today by wireless news service from Berlin, may weaken in their resolve to urge and insist that the Thai adhere strictly to the policy of the maintenance of the *status quo* in Indochina. The British Minister said the Thai Deputy Minister of Foreign Affairs yesterday inquired of him as to the British view in regard to the Thai proposal to the Vichy Government establishing two conditions for the agreement to put into force immediately the pact of non-aggression between the two countries. He said he had replied that the matter was one between Thai and the Vichy Government, that the British would have nothing to say if Vichy should agree to the Thai proposal. I then said to the British Minister that I thought we should continue to go along together in the matter of bringing all possible pressure to bear in order to influence the Thai to remain out of the Indochina affair on the basis of the larger and more far-reaching aspects of the question, which, as he agreed, the Thai officials apparently do not fully understand and appreciate.

I am beginning to fear that, as is usually the case, if I am not mistaken, our policy of consistent dealing may, in this, leave us out on a limb in splendid isolation while our friends compromise with the issue. It looks as though the British policy of appeasement is about to be applied to the Thai-Indochina affair.

GRANT

751G.94/108 : Telegram

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

TOKYO, September 16, 1940—10 p. m.

[Received September 16—2 p. m.]

847. Under instructions from his Government, the British Ambassador this afternoon discussed with the Minister for Foreign Affairs the Japanese demands upon Indo-China.

With some indignation the Minister rejected the supposition that Japan was pressing France and Indo-China to adopt measures which they would refuse to consider if it were not for their present difficulties. The Minister averred that several weeks ago an agreement

with the Government of Vichy had been reached through friendly negotiation and according to the agreement the French and Japanese authorities on the spot were to work out certain details. Difficulties in arranging these details had arisen, the Minister said, because the Governor of Indo-China appeared to be unwilling to obey the instructions of his home government in carrying out the terms of the definite agreement [which his?] government had subscribed. It is still Mr. Matsuoka's hope that the matter will be arranged satisfactorily but if the instructions of their own government should continue to be disregarded by the Indo-China authorities, it is deemed the Japanese Government might be obliged to take "some effective steps".

The Foreign Minister then said that while he had not desired to raise the matter on his own initiative, the fact that Sir Robert Craigie had broached this general subject led the Minister to say that according to reliable authority the American, British and Chinese consular representatives in Indo-China were all encouraging the Governor-General in his procrastinating policy. The Minister felt that because this action encouraged the local authorities to avoid honoring an agreement to which the Japanese Government was a party, a most regrettable situation had thereby arisen.

The Ambassador said that he was not aware of the terms of the agreement with the French Government and he felt sure that the British Consul General was not recommending that the local authorities disobey their instructions from Vichy. Nevertheless, such information concerning the Japanese demands as had come to him led him to believe that those demands clearly envisaged a modification in the *status quo* to which Mr. Matsuoka's predecessor had so recently pledged himself. British interests in the Far East might thereby be profoundly affected, and if the opinion of British Consular Officers had been invited it was perfectly reasonable that they should have expressed their disapproval of any such demands.

The Minister replied that far from contemplating any modification of the *status quo* the Japanese Government had ensured the *status quo* by guaranteeing the integrity of Indochina under the terms of the agreement. The Minister consequently was at a loss to understand the grounds of the British complaint considering that the French Government had freely agreed to afford certain military facilities to Japan, which were to be strictly limited to the period of hostilities, as part of Japan's prosecution of the campaign against Chiang Kai-shek.

The Ambassador replied that Mr. Matsuoka would surely agree that any government was fully justified in protesting if two other governments entered into an agreement which adversely affected the

interests of the third government. Once again the Minister emphatically denied that there was any question of modifying the *status quo* or that any British interest was affected.

Sent to the Department. Repeated to Shanghai. Shanghai please repeat to Chungking.

GREW

751G.94/112

The Department of State to the British Embassy

AIDE-MÉMOIRE

Reference is made to the British Embassy's *aide-mémoire* of September 12, 1940 in which is expressed the desire of the British Government to be informed whether the Government of the United States would be prepared to instruct its Ambassador at Tokyo to make further representations to the Japanese Government in regard to the situation in Indochina.

Sir Robert Craigie was so kind as to make known to Ambassador Grew the substance of the British Government's instructions as outlined in the *aide-mémoire* under reference. Sir Robert also made known the doubt, which it is understood he has expressed to his Government, whether further representations to the Japanese Government in regard to the subject under consideration would have a useful effect and the opinion that if such an approach should be made it would be inadvisable to refer to the Burma Road agreement.

In the light of the foregoing the British Embassy may care to inform the Department of State whether the observations made by Sir Robert have caused the British Government to alter its view that further representations to the Japanese Government in regard to the situation in Indochina should be made at this time.

WASHINGTON, September 16, 1940.

898.24/898

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 16, 1940.

The British Ambassador and the Australian Minister came in at their request. The Ambassador referred to the opening of the Burma Road on or about October seventeenth. He also made special reference to the French Indochina situation and the need for some steps that would deter Japan from occupying this country with its military

forces. He indicated that the British Government was undertaking to render some substantial aid of a military character to the Government of Indochina.

In reply, I proceeded to set out the chief acts and utterances of this Government heretofore in its efforts to discourage and deter Japan from aggressive steps not only in China but in Indochina and the Netherlands East Indies in particular. I need not here recount each of such acts and utterances. They are a part of the well-known history of our disturbed relations with Japan during recent years, including oral protests, protests in writing, protests in public statements and various moral embargoes, as well as the discontinuance of our commercial treaty and the stationing of our Navy at Hawaii. I said that there are, of course, real difficulties in attempting to aid provinces to resist Japan seriously by military efforts when the mother countries, as in the case of France, the Netherlands and even Great Britain herself, are known not to be in a position to render any material aid to their dependencies; that in these circumstances, this Government has gone almost to the limit of resisting step by step Japanese aggression without the very serious danger of a military clash. I then added that we have encouraged countries like Indochina, just as we did the British, to delay and parley and hold out to the last minute against Japanese demands, and that in all probability Japan would not dare make a military attack. I said that this Government expects to continue its protests and its opposition to Japanese aggression, and to this end it plans to render further financial aid to China and to impose more and more reprisals or retaliation of a commercial and economic nature on Japan. I expressed the view that it would not be wise even from the British standpoint for two wars to be raging in the East and the West at the same time; that if this country should enter any war, it would immediately result in greatly cutting off military supplies to Great Britain, which she can ill afford to do without; and furthermore most of us are of the opinion that the fate of both the Eastern and Western world will be tremendously affected by the success or failure of the resistance of Great Britain to the threatened and attempted German invasion of the British Isles.

Something was then said about conferences in regard to bases and more or less unified efforts of defense in the Pacific from Singapore through the Australian area in the direction of the United States with any special objectives farther north. I suggested that Japan is assuming that all of these steps are probable on short notice regardless of whether they have actually been consummated, and there I let the matter rest for the present.

C[ORDELL] H[ULL]

751G.92/24 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 17, 1940—4 p. m.
 [Received September 18—11 : 23 a. m.]

81. The Prime Minister called me to his residence this morning and, in the presence of the Deputy Minister of Foreign Affairs, presented me with a copy of an *aide-mémoire* on the Indochina matter, which, he said, had been sent by telegraph to the Thai Minister in Washington, for transmission to the Department.⁸² Incorporated in the *aide-mémoire* in question is the text of the *aide-mémoire* which was presented several days ago to the Vichy Government by the Thai Government, a copy of which was included in the Legation's telegram 78, September 15, 4 p. m.⁸³

Throughout the conversation the Prime Minister was very agreeable and manifested a very friendly attitude towards my Government. He said that since he is primarily a military man [he] long ago formed the habit of going through with matters which were awaiting accomplishment formality [*without delay?*] but that in the present circumstances in the matter of the Thai claims in Indochina he had adopted a policy of moderation, he was exercising restraint, and in this connection he was not unmindful of the attitude and wishes of my Government. He therefore earnestly hoped that my Government would consider sympathetically the Thai proposals to the Vichy Government and he appealed to me [to inform?] my Government of his hope. I said I would be happy to comply.

The Prime Minister went on to say that the Thai Government had adopted its present policy, as outlined in the *aide-mémoire* addressed to the Vichy Government, as a result of the strong demands of the Thai people of the intelligent classes residing in both Thailand and in the territory it is desired shall be returned to Thailand, that for a long time there had been a very strong feeling on the part of the Thai people concerning this matter of Thai territory which had been taken from Thailand by France. The feeling against the French had been very strong while there was no such feeling of resentment against the British in connection with the territorial changes in this area by which Great Britain had profited. The Prime Minister stated the matter was aggravated now, that Thai people in certain sections of Indochina were undergoing hardships at the hands of the French who were very much excited as the result of the collapse of their country. For instance, he said, the French authorities in some sections were arresting Thai and collecting from them one year's taxes in advance in order

⁸² Not printed; it was dated September 18.

⁸³ Telegram not printed, but see footnote 80, p. 117; see also telegram No. 588, September 19, 4 p. m., from the Chargé in France, p. 127.

to make up deficits in revenues resulting from the collapse of the home government. Additional Thai patrol forces, the Prime Minister continued, had been sent to certain frontier territory between Thailand and Indochina, but removed from the frontier by at least 25 kilometers, for the sole purpose of preventing trouble between the Thai and the French along the border, and not for any offensive action against Indochina.

I inquired of the Prime Minister as to whether his Government had developed a line of action to be followed in the event the Vichy Government should ignore or refuse the Thai request in the matter of the agreement as outlined in the *aide-mémoire* addressed to Vichy. He replied in the negative, adding that the Thai Government did not contemplate taking action by force. I then asked the Prime Minister if he would care to give assurance to my Government that under no circumstances would his Government resort to force in the matter. He replied at some length, referring to the difficult situation which exists at the present time for the Thai minority in Indochina. The Thai people in these contested areas might take matters into their own hands, the Prime Minister said. In the event of the attempt of a third party to enter the scene in Indochina, therefore, it might become necessary for the Thai Government, for the protection of its national interests, to "occupy" certain territory.

I informed the Prime Minister of the viewpoint of my Government, as outlined orally to the Thai Minister in Washington, which was incorporated in the Department's telegram 46, September 11, 5 p. m. I also referred to the oral statement which I made to the Deputy Minister of Foreign Affairs on September 13, which was outlined in the second section of the Legation's telegram 75, September 13, 2 p. m., pointing out to the Prime Minister that in the background of the whole question, aside from the matter of the possible use of military force, was the strong feeling of my Government that no action should be taken by Thailand or by any other government in this area which might tend to complicate an already greatly disturbed condition of affairs throughout the world. I said that personally I could appreciate the delicate situation in which Thailand finds itself as the result of the acute situation in Indochina and I could also understand the attitude of the Thai in regard to territory which they feel belongs to them, but, taking a long range view of the situation and considering the broader aspects of the question, it seemed to me that this was not the time to take any action in the matter since it might encourage aggression in Indochina by the very party while [*which?*] the Thai fear; that any territorial adjustments made now would likely not be permanent.

751G.94/117

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

[WASHINGTON,] September 18, 1940.

Mr. Butler, Counselor of the British Embassy, telephoned and referred to the Department's *aide-mémoire* of September 16, relating to the British Embassy's *aide-mémoire* of September 12. Mr. Butler said that the observations made by the British Ambassador at Tokyo had apparently not caused the British Government to alter its view and he read to me a telegram which the British Foreign Office had sent to Tokyo in reply to the British Ambassador's telegram. In its telegram the British Foreign Office pointed out that it realized that the Japanese reply might be as the British Ambassador had suggested, but that it was important that the British Government's view be expressed to the Japanese Government.

I thanked Mr. Butler for communicating this information and said that in the light thereof we would give renewed study to the matter and would expect to get in touch with the Embassy again.

M[AXWELL] M. H[AMILTON]

751G.94/108 : Telegram

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

WASHINGTON, September 18, 1940—6 p. m.

355. Your 839, September 14, 9 p. m.⁸⁴ Department suggests that, unless you perceive objection, you seek an early opportunity to point out to the Foreign Minister the opinion of the American Government that where two countries are engaged in hostilities insistence by one of those countries, in order to attack the other, of the right of passage of its troops through and the use of airdromes in a third country which is not a party to the conflict cannot but seriously affect the *status quo* of such third country and that stipulations of this nature which the Japanese Government are now making of the authorities in Indochina would seem to be inconsistent with the announced desire of the Japanese Government that the *status quo* in the Pacific area be maintained.

Referring to the last sentence in translation of the "oral statement" quoted in your 839, September 14, 9 p. m., it is suggested that you point out that this Government's attitude and policy regarding the unwarranted use of pressure in international relations is global and

⁸⁴ Not printed, but see memorandum by the Ambassador in Japan, September 14, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 293.

that we urge upon all governments the employment of none but peaceful means in their relations with all other governments and regions.

You may inform your British and French colleagues of the nature of such approach as you may make to the Japanese Government as suggested above.

Please repeat to Shanghai for repetition to Chungking and Peiping.

HULL

751G.94/184b : Telegram

The Secretary of State to the Consul at Hanoi (Reed)

WASHINGTON, September 18, 1940—6 p. m.

1. For your information in case inquiries are made of you by officials of the Government General or in case there should be appropriate occasion for mentioning the matter to those officials, officers of the Department have been having conversations with Colonel Jacomy and Mr. Camerlynck, members of a purchasing mission from Indochina now in the United States, and the Department is giving active consideration to the question of ways and means of assisting them toward attaining productive results.

2. Your telegrams in regard to general and specific developments in Indochina have been helpful. The Department suggests, however, that you endeavor to expand their usefulness by reporting in greater detail and at greater length, with interpretive comment, especially while the situation is in a state of flux. One aspect of the situation in regard to which authoritative information would be of interest and value to the Department is the character and status of the relationship between the Government General and the French Government at Vichy. As you may be aware from press despatches or other sources, there are current rumors emanating from other parts of the French colonial empire, especially from various points in North Africa, which are faced with problems of pressure similar to those which doubtless confront the Government General at Hanoi, indicating that inclination and determination to resist outside pressure are hardening in French circles, both civilian and military. If you consider that your relations with the Government General or other authoritative French sources are such that you might in conversation appropriately bring up this subject, possibly in the form of an inquiry, it is suggested that, in your discretion, you find occasion in the near future to do so. You will, of course, appreciate the importance of authentic information of this nature to the Department, especially in view of the approaches which this Government has made at Vichy in regard to the situation developing in Indochina.

Sent to Hanoi via Hong Kong. Repeated to Chungking and Peiping. Hong Kong please repeat to Tokyo.

HULL

751G.92/22: Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, September 18, 1940—6 p. m.

48. Your 75, September 13, 2 p. m., and 79, September 15, 6 p. m., final paragraph.

1. In view of the fact that the position of this Government has already been set forth clearly to the Thai Government and in view of the public announcement made by the Thai authorities, the Department believes that no useful purpose would be served by further approaches on our initiative to the Thai authorities at this time. If and as the subject may arise on Thai initiative in conversations with Thai officials, the Department desires that you simply reiterate the views expressed in the Department's 37, August 21, 6 p. m., and 46, September 11, 5 p. m.

2. The Department suggests that in such further conversation as you may have with your British colleague on the subject under reference you continue to endeavor to make clear to him the position of this Government, as indicated in the Department's telegrams nos. 37 and 46 above referred to.

HULL

751G.94/122: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 19, 1940—10 a. m.

[Received 1:25 p. m.]

With reference to my telegram dated September 18, 5 p. m.,⁸⁵ a special train has been ordered for tomorrow morning to evacuate all Japanese from Hanoi (and Tongking) including the Japanese Consul General and staff and the Japanese military mission. Japanese vessels are at Haiphong. The Japanese Consul General told the Governor General this was being done to avoid any possible incidents.

The Governor General informed me further that the conversations have proceeded reasonably amicably to date without an ultimatum or threat and that the evacuation is therefore inexplicable. But General Tominaga during his conversations with General Martin and the Governor General openly stated that the attitude of the Japanese Govern-

⁸⁵ Not printed.

ment vis-à-vis diplomatic negotiations with Indochina has changed, that for the time being the Japanese are not interested in discussing the political and economic questions included in the Tokyo-Vichy agreement.

In this connection the Governor General added that the Japanese have renounced any intention of using Tongking as a base of operations against China. Therefore, the Japanese demands for military bases in Tongking can only be considered as a definite demand for the occupation of Tongking. He considers the situation is serious and charged with grave potentialities.

Sent to Cavite. Repeated to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton. Chungking please repeat to Kunming.

REED

751G.92/25 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 19, 1940—4 p. m.

[Received 8:20 p. m.]

588. My telegram No. 544, September 11, 7 p. m., fourth paragraph. I called on Chauvel this morning to inquire as to developments in the Far East. He showed me a brief *aide-mémoire* left with him yesterday by the Thai Minister here. It stated that in view of the "abnormal" situation in Indo-China the French Government should agree to certain territorial adjustments and settlement of administrative matters immediately even prior to ratification of the non-aggression pact. Thailand requested that the frontier with French Indo-China follow the Mekong River from the northern border as far south as Cambodia and that it follow the deep water channel (thus apparently assuring certain territory on the right bank of the river which forms islands during high [water?] to Thailand). The *aide-mémoire* specifically requested Thai sovereignty over territory on the right bank of the Mekong opposite Luang Prabang and Pakse. Most of the territory to be transferred thereunder I gather consists of undeveloped forest land. The *aide-mémoire* likewise demanded assurances that if there is any change in the political and territorial integrity of Indo-China the territories of Laos and Cambodia be returned to Thailand.

I obtained from Chauvel a copy of the French reply which I shall forward by air mail.⁸⁶ It points out first that the French Government has not requested that the non-aggression pact come into force before exchange of ratifications but merely the wish that this ex-

⁸⁶ Not printed.

change, which will determine its entry into force, take place as soon as the French instrument of ratification reaches Bangkok. Secondly the French Government "fails to perceive the reasons which lead the Thailand Government to consider the present situation in Indo-China as abnormal", and it cannot therefore appreciate the "reasons for anxiety which the Thailand Government states that it feels with respect to such or such element of the population in territories placed under French sovereignty." In the third place "in response to the desire of the Prime Minister of Thailand expressed in a letter addressed to the French Minister on July 8 the French Government has agreed that the Mixed Commission charged with settling different questions relative to the Mekong shall meet as soon as the non-aggression pact is ratified. The French Government is willing to abide by this provision and sees no reason to modify its purport." Fourthly, continues the French reply, "The French Government is firmly resolved to defend against any pretensions and any attack, whatever its origin, the political status and territorial integrity of Indo-China.

The request for the return of territory situated on the right bank of the Mekong cannot therefore be entertained.

For the same reason the request for assurances with respect to the possible return of Cambodia and Laos to Thailand must be considered as groundless." He said the French Minister at Bangkok had been instructed to communicate the sense of the foregoing to our Minister and the British Minister. This rejection of the Thai *démarche* was made the subject of an official *communiqué* published in this morning's press which I assume has likewise been published in the United States.

The French are continuing to bring pressure on the Japanese to compel the Thailanders to withdraw their demands but so far without success. Chauvel seems confident that the Thailanders would completely modify their attitude if the Japanese gave the word.

He said that negotiations for the military agreement with the Japanese are still pending and that both the French and the Japanese are increasing their demands and conditions. Since the Chinese have blown up the railway bridge and have massed troops all along the northern frontier of Indo-China, the French have pointed out that there seems to be no longer a question merely of passage through Indo-Chinese territory of Japanese troops but that the increasing probability is that Indo-China itself will be the battle ground.

To this argument, he said, the Japanese have made no reply. The French are likewise trying to restrict the territory subject to Japanese troop passage to as narrow a strip as possible north of the Red River and at all costs to keep them out of the thickly populated

Hanoi delta region. Negotiations for an economic accord are not even scheduled to commence until the military agreement is arrived at and he seemed somewhat less sanguine today that such an agreement would be reached.

He remarked that the Chinese should be "grateful" as France's delaying tactics for the past 3 months had permitted the Chinese to destroy the railway bridge and prepare their defenses at the Indo-Chinese frontiers and he thought this fact was appreciated by the Chungking Government.

MATTHEWS

751G.94/184a : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, September 19, 1940—5 p. m.

504. Your 362, August 17, 4 p. m.; 496, September 5, 6 p. m.; 505, September 6, 4 p. m.; 544, September 11, 7 p. m., and related messages from the Department.

1. From the information furnished by Baudoin and Chauvel the Department understands:

(a) That on August 31 the French Government and the Japanese Government signed a "political agreement" under which the French Government recognized the "preponderance of Japanese interest" in Indochina and agreed to negotiate two supplementary accords, one economic and the other military, under the former of which France would recognize the "privileged position" of Japan in Indochina;

(b) That under the "political agreement" Japan recognizes "permanent French interest in Indochina and the integrity of and French sovereignty over Indochina";

(c) That the said "political agreement" is to come into force subject to the conclusion of the two supplementary accords;

(d) That no negotiations have as yet been entered into in regard to the economic accord;

(e) That negotiations for the military accord have, with a few days' interruption, proceeded and are continuing; and

(f) That the French authorities in Indochina are attempting to persuade the Japanese to reduce the scope of their demands for passage of troops and use of aerodromes.

2. Precise and comprehensive information in regard to the nature and scope of the negotiations in Indochina for the military accord have not yet been received by this Government.

3. You are requested to raise with the French Government, as under instruction, the general question of these developments in an endeavor to obtain such information as the French Government may be in position to furnish in regard to the present situation in French Indochina. Please state that your Government would welcome especially specific,

comprehensive and clear-cut information as to the nature and scope (in detail) of Japanese demands and of the negotiations now understood to be proceeding between Japanese military and French authorities in Indochina and would also welcome such further information as may exist in regard to the "political agreement" of August 31 and to any other engagement which the French Government may contemplate entering into with the Japanese Government. You may say that, in the opinion of this Government, the position of France in the Far East has been and continues to be an important one and the full information which it is hoped you may be able to transmit in response to this telegram will be most helpful in this Government's deliberations on Far Eastern policy.

HULL

751G.94/123 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 19, 1940—7 p. m.
[Received September 20—1:30 a. m.]

589. Chauvel has just told me that a Japanese general flew down from Tokyo to Hanoi and presented demands which went considerably beyond the previous Japanese demands and that without waiting for French reaction had announced that the Japanese are evacuating their colony from Indo-China tomorrow. (Chauvel had no information as to the size of the Japanese colony but thought it was just a "few hundred".) The French negotiators in Indo-China immediately submitted counterproposals to the Japanese which the Japanese general has carried back to Tokyo by air.

Chauvel had no details as to the exact nature of the new Japanese position. He said, however, that it involved a semi-permanent stationing of Japanese troops in Indo-Chinese territory and not merely the right of passage. They also requested greater use of airdromes than previously. There was no demand, however, for any troop passage or occupation of territory south of the Red River. The French counterproposal he said represented some "recession from the previous position but was still within the extreme limits set in the instructions to the Indo-Chinese Government."

Chauvel does not know what may happen now or whether the proposed withdrawal of the Japanese colony is bluff: the Japanese general in announcing the withdrawal stated that he hoped negotiations would continue but that in any event the colony would be withdrawn to "avoid possibility of incidents when our troops come in."

MATTHEWS

751G.94/124 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 19, 1940—8 p. m.
[Received September 19—2: 40 p. m.]

My telegram September 19, 11 [10] a. m. This afternoon General Nishihara handed the Governor General a letter demanding the Japanese occupation of Hanoi (20,000 troops) and Haiphong (5,000 troops) and 5 airports (with an undisclosed number of troops); unless the demand is accepted, Japanese armed forces will invade Indochina Sunday night September 22, 10 p. m. The Governor General refused the Japanese demand as being outside the scope of the Tokyo-Vichy agreement and is preparing to resist as long as possible.⁸⁷

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton. Chungking please repeat to Kunming.

REED

751G.92/27 : Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, September 19, 1940—8 p. m.

50. Your 81, September 17, 4 p. m. On September 19 the Thai Minister called at his request on an officer of the Department and presented an *aide-mémoire*⁸⁸ in reply to the oral communication made to the Thai Minister here on September 11.⁸⁹ The officer of the Department said, in response to the Thai Minister's request, that he would be glad to bring the Thai *aide-mémoire* to the attention of the Secretary of State. The officer of the Department restated to the Thai Minister briefly the views expressed in the Department's 37, August 21, 6 p. m., and 46, September 11, 5 p. m.

HULL

751G.94/130 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 19, 1940—10 p. m.
[Received September 20—2: 09 p. m.]

591. My telegrams numbers 544, September 11, 7 p. m., and 589 of today. Chauvel also handed me this morning a 7-page memorandum

⁸⁷ For the Department's instructions to the Ambassador in Japan in connection with this matter, see telegram No. 357, September 19, 9 p. m., *Foreign Relations, Japan, 1931-1941*, vol. II, p. 294; for action of the Ambassador, see his memorandum of September 20, *ibid.*, p. 295.

⁸⁸ Not printed.

⁸⁹ See telegram No. 46, September 11, 5 p. m., to the Minister in Thailand, p. 107.

by Baudoin in defense of French policy in the Far East since last June. This memorandum is based, said Chauvel, on my comment to him along the lines suggested in the Department's 440, September 9, 6 p. m. (see my telegram No. 544, September 11, 7 p. m.) and upon statements reported to have been made by the Secretary to Ambassador Henry-Haye on September 11. A full summary follows:

The problem of relations between Indochina and Japan during the past 3 months has not been "of an academic nature". The threat of the Japanese invasion of Indochina was made on June 13 and repeated on August 2. It was a question of knowing as a practical matter whether it was possible to avert this menace by negotiating with Japan and in case this negotiation failed of knowing what means France had to face an aggression.

The 15th of June France was facing difficulties which threatened unforeseeable consequences for her Empire. The possibilities for the defense of Indochina were very uncertain. The British Government with all its attention concentrated on Europe was obviously in no position to reinforce our possibilities of defense. The only effective help would have been that of the United States. The 18th and 19th of June, informed of the situation by the French Ambassador and asked as to the attitude which the American Government would adopt in case of Japanese aggression against Indochina, the Under Secretary of State replied that the United States, not believing it in its power, given the general situation, to enter into war with Japan could do nothing (*laisseraient [faire]*). In the course of the conversation M. de Saint-Quentin mentioned the possibility of closing the frontier. Mr. Sumner Welles showed with respect to this suggestion neither surprise nor any particular emotion. Consequently the Governor General of Indochina proceeded to close the Indochinese frontier, agreed to receive at Tongking a Japanese control commission and to envisage the opening of commercial negotiations designed to favor the development of trade between Indochina and Japan. The British, for the same reason, some days later proceeded to close the Burma frontier to certain traffic. These measures had the effect of averting the Japanese menace for a few weeks. The threat reappeared with increased vehemence following the formation of the Konoye Government. In fact, on the 2nd of August the new Foreign Minister, Monsieur Matsuoka, stated to the French Ambassador that the possibility of carrying out operations against Chiang Kai-shek across Indochinese territory was considered by the Japanese General Staff as a vital necessity, that the Japanese Government demanded that the French Government permit the passage of its armies and that it would, with regret, in case French agreement should be delayed, see its armies force their way. At the same time the last report [*Japanese Government*] expressed its desire that its nationals in Indochina be accorded treatment equal to that of Frenchmen.

At that moment if the French military forces in Indochina were not in principle affected by the clauses of the armistice of June 25 it was nonetheless evident that the German authorities could, in practice, present demands of a nature seriously to handicap their means of action.

Great Britain had proceeded to a regroupment of its forces whose cooperation with French units could no longer be counted on. Finally, placed *au courant* on the 5th of August by the French Ambassador of the Japanese demands with respect to Indochina and advised of the fact that French resistance to these demands would depend in large measure on the nature and effectiveness of the possible support given by the American Government, the Department of State handed on August 6 to Monsieur de Saint-Quentin a reply which recalled the position of principle adopted by the Government of the United States with respect to developments in the Far East but which made no mention of practical measures designed to give to that position concrete results in the presence of an immediate threat.

This negative indication was several times later reiterated. The 17th of August the Minister for Foreign Affairs having summoned the Chargé d'Affaires of the United States to inform him of the Japanese demands and even the terms of the instructions given M. Arsene-Henry on the entire negotiation, Mr. Murphy stated that in the present circumstances it would be vain to expect from the American Government anything other than a verbal condemnation of Japanese initiatives. On the 21st of August Mr. Sumner Welles informing M. de Saint-Quentin of the report of this conversation made by Mr. Murphy stated that the Department of State understood the position of the French Government and since the United States was in no position to come to its aid, it did not believe that it had the right to orient [*reproach*] the French Government for according military facilities to Japan.

Convinced that henceforth it could not expect practical assistance from Washington which would permit it to resist Japanese aggression, the French Government devoted its efforts to finding a formula designed to avert the threat without compromising any of its rights.

To that end it made known to the Japanese Government that any demand presented under the form of an ultimatum would be *ipso facto* considered as not acceptable; that on the other hand it would not refuse an exchange of views in the diplomatic sphere without pressure of any sort.

The Japanese Government having agreed to return to normal procedure endeavored to obtain from the French Government blanket authorization, without definite provisions, to pursue its operations against Chiang Kai-shek across Indochina. It at the same time attempted to force the admission as a basis of economic negotiations of the principle of equality of treatment (between French and Japanese) claimed at the outset.

These two demands were dropped. In conformity with the instructions which Mr. Murphy was called to take note of on August 17th, the French Ambassador at Tokyo insisted upon obtaining:

Formal assurances that the Japanese Government would agree to respect the political status and the territorial integrity of the Indochinese Union; the renunciation by the Japanese Government in the military field as well as in the economic field of any blanket authorization, and acceptance of technical negotiations with respect to the

same objectives; the Japanese acceptance of exact limitations in space and time of the military facilities demanded.

The Japanese Government agreed, not without difficulties, to sign these different undertakings which were made the subject of an exchange of letters on August 30th. In conformity with the stipulations of this agreement military negotiations began immediately at Hanoi.

From the second of September the Commanding Officer of the Japanese delegation presented to the French negotiator an ultimatum under the terms of which, if the French authorities refused a very general formula which offered no guarantee, the Japanese troops would enter Indochinese territory on the morning of the 5th.

This ultimatum was purely and simply refused. The matter was brought to Tokyo's attention and General Nishihara was disavowed by his Government.

The negotiations were then renewed at Hanoi and are still in progress.

The French Government has been careful to keep the American Government informed of successive developments in this affair.

The American Government appears to regret today that the French Government agreed to recognize, while trying to limit its scope, a *de facto* situation which was forced upon it. It recalls on this occasion that it had manifested in the course of *démarches* made by Mr. Grew to the Gaimusho the interest which the United States has in the lot of French Indochina.

The positions of principle recently [*publicly*] taken on different occasions by foreign powers have not prevented Japan from occupying and organizing Manchukuo; more recently they had not prevented the development of the Sino-Japanese war, the closing of the Yangtze to navigation, the extension of the blockade along the coast of China, et cetera.

In the light of these precedents it is permissible to feel that similar declarations would not have sufficed to halt a Japanese attack on Indochina nor once this was carried out to persuade Japan to evacuate conquered territory. Since the only power in a position to intervene effectively in the Far East made it known to the French Government that it was not in a position to do so, either by affording naval support or supplying war matériel immediately necessary or in any other way, the latter could not but consider itself justified in defending its position by adopting the only line of conduct which took into consideration the factual situation with which it was faced.

At a luncheon given by him today exclusively to American newspaper correspondents in Vichy, Monsieur Baudoin, I am told, reviewed at some length the situation as outlined in his memorandum above and evinced little hope that the Japanese would be kept out of Indochina. He expressed the wish that these correspondents make clear the position of the French Government with respect to Indochina to the American public.

MATTHEWS

751G.92/28 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 20, 1940—7 p. m.
[Received September 20—8:35 a. m.]

85. Referring to the third and fourth paragraphs of the Legation's telegram 79, September 15, 6 p. m., in which it was stated that the British appeared to be weakening in their attitude in regard to the Thai claims in Indochina, in a conversation with the British Minister today the Minister said, from the events of the last 36 hours in Indochina, he fears that we may be faced with a *fait accompli* there and that, if the United States and Great Britain persist in their attitude of the strict maintenance of the *status quo* on the part of Thailand, the Thai Government may go over completely to the totalitarian powers. He said that he had, therefore, sent a telegram to his Government requesting that he, the British Minister, be permitted to convey verbally to the Thai Prime Minister a message to the effect that, while the British Government is strongly opposed to a change in the *status quo* in Indochina, nevertheless if such a change should "regrettably and unavoidably occur" the territorial claims of Thailand would not be considered unsympathetically by the British Government.

The British Minister indicated that he is alarmed and is in a dilemma over the British position in Thailand. He said that he believes the present Thai Government will fall in the event of the change of the *status quo* in Indochina and the failure of the Thais to recover the territory which they claim. He said he regards the Thai claim to the two pieces of frontier territory, designated in the *aide-mémoire* addressed to the Vichy Government, as a matter of minor importance and one to be settled between Vichy and Thailand, and he had so indicated to the Thai officials. The weakening of the British position on the Thai claim is revealed in an article which has appeared in the *Bangkok Times*, British-controlled English newspaper, in which it is stated that "two of these requests are reasonable now, if France has time to take them into consideration; and as to the big request for the whole of the Pacific [lost?] territory that is also reasonable since it would be applied only if such territory should go from French possessions." The British Minister said the French Minister had informed him that the Thai Prime Minister had indicated in a conversation last Wednesday with the French Minister that Thailand may be at the "parting of the ways" with Great Britain and the United States because of their insistence upon the *status quo*. The British Minister confided to me that he be-

lieves that the Thai military mission which is now in Tokyo may be responsible for the new Japanese demands upon Indochina this week.

Meanwhile there is increasing evidence of preparations for any eventuality on the part of [the] Thais. The Government yesterday afternoon strengthened its hold on the country as the result of the demands of the assembly to amend the constitution to provide for an extension of the period of transition for 10 years from June 27, 1942 (reference to Legation's telegram 53, August 17, 2 p. m.⁹⁰). In the midst of applause the assembly also voted unanimously upon its action is [*in*] submitting to the Vichy Government the Thai claim for the return of certain territory in Indochina. The Prime Minister, who rarely attends the Assembly, thanked the house in the name of the Government, stating that the action of the Government had been taken as the result of the trend of public opinion in the country, as indicated by the members of the assembly, officials and the press. He added that the Government's claim was based on justice and equality on both sides and he expressed the hope that the negotiations would prove successful. Sixty members of the Assembly, according to announcement in the local press, have signed a joint statement, which was presented to the Prime Minister, to the effect that they are ready to enlist for military service in the front lines in the event Thailand should become involved in war with any country.

Report received at the Legation from an American missionary residing in Ubon opposite the section on the Thai eastern frontier, which the Thais have requested Vichy to return to Thailand, states that there is considerable military activity there with 15 army planes temporarily grounded [as] a result of marshy field. The general opinion in that section, it is stated further, is that the Thais will use force if necessary to regain territory lost to France along the Mekong River.

GRANT

751G.94/128: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 21 [20], 1940—8 p. m.

[Received September 20—4: 08 p. m.]

My telegram of September 19, 8 p. m. The Secretary General has just informed me that this morning General Nishihara withdrew the more unacceptable demands (chiefly the occupation of Hanoi) and expressed a desire to recommence conversations, which are proceeding. However, practically all Japanese nationals are remaining in Hai-phong pending the outcome of the conversations.

According to the Secretary General, the threat that Japanese armed forces would enter Indochina Sunday night, September 22, has not been withdrawn.

⁹⁰ Not printed.

The Japanese tactics of demanding much, threatening evacuation of Japanese nationals and action against Indochina, and resuming negotiations are having some measure of success inasmuch as each time the conversations are resumed the French have conceded some points.

Sent to Cavite for repetition to the Department, Chungking, Hong Kong, Shanghai, Canton, Peiping.

REED

751G.94/197

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

[WASHINGTON,] September 20, 1940.

The French Ambassador called to see me this morning. The Ambassador said that he believed that the local authorities in Indochina would resist any attempt at invasion by the Japanese, and while he was not authorized to say so officially, he expressed his personal opinion that they would in fact do so.

I asked the Ambassador if he could explain to me the policy which the German Government was pursuing in this regard. I asked him if he did not consider it improbable that under present conditions the Japanese Government would now be preparing to occupy French Indo China without at least the tacit approval of the German Government.

The Ambassador said that his own opinion was, resulting from the information he had received in France prior to his departure for the United States, that during the earlier period the German Government had hoped to take over France's colonial possessions in the Far East and it objected strongly to any indication from Japan that Japan herself would like to take such action. However, the Ambassador said he had reached the conclusion that Germany desired the Japanese to immobilize the United States Navy in the Pacific and that in return for an agreement on the part of Japan to pursue a policy which would bring this about, had found herself obliged to give Japan in return the go-ahead signal for the occupation of French, Dutch, and British possessions in the Pacific.

851.248/411

*Memorandum of Conversation, by the Assistant Secretary of State
(Berle)*

[Extract]

[WASHINGTON,] September 20, 1940.

M. Alphand, Financial Attaché of the French Embassy, came in to see me this morning, at my request.

After greeting him I said that some of the occasion which had led me to ask him to come in at the beginning of the week had now disappeared. The Purchasing Mission for Indo-China had been in Washington; it was our understanding that the French Embassy had permitted that Mission to act independently and it had accordingly established contact with us. Realizing the particular position of France, and the position of French Indo-China, we had dealt directly with that Mission. They had asked to buy certain munitions, including airplanes. I said it had been my purpose to ask whether the planes in Martinique were available for that purpose.

M. Alphanand said that the French Embassy recognized that Indo-China was in a particular position; and that it might act directly, and he assumed that that had been the intention of the French Embassy in permitting the Indo-China Mission to negotiate directly, without the intervention of the Embassy. This he regarded as natural, since the Indo-Chinese Mission had started before the collapse of France, and the Indo-Chinese government had been cut off in considerable measure from communication with the home government since that time.

As to the Martinique planes, M. Alphanand was highly indefinite. He was by no means clear that under all the circumstances, including German pressure at Vichy, these planes could be made available. He hoped instead that we would try to divert some planes from the English orders, since as he understood it the policy was to be resistance in Indo-China.

I observed that there was French materiel here, readily available, which could be got to Indo-China in a relatively short space of time. It had moreover been made available to the French government by purchase from the United States. M. Alphanand then said that he was not directly charged with this.

A. A. BERLE, JR.

751G.94/136: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 21, 1940—3 p. m.

[Received 8 p. m.]

599. I saw Chauvel this morning and conveyed to him with due emphasis on the importance of the question the contents of the Department's telegram No. 504, September 19, 5 p. m. He frankly admitted what I have suspected for some time that he himself would

like to give me more detailed information but that he could not do so without the permission of Baudoin. He, therefore, asked that I give him a memorandum in the sense of paragraph 3 of the Department's telegram [504?] which he promised to go to [Baudoin with?]. This I have done immediately. He said that he felt we should have the full text of the political agreement and detailed information in so far as it is available in Vichy with respect to the military negotiations now in progress.

As to the factual regime [*résumé?*] contained in the Department's numbered paragraph 1, he suggested several clarifications. With reference to (a) on "The privileged position" of Japan in Indochina he explained (as stated in the memorandum quoted in my telegram 591, September 19, 10 p. m.) that the Japanese had requested national treatment—that is, complete equality with French in economic and commercial matters. This the French Government had rejected and are opposed to concluding any general economic agreement specifically granting a favored position to Japan. What they are prepared to do, however, is to ascertain exactly what imports and exports Japan is interested in and to grant *de facto* preferential treatment with respect thereto or at least the principal items. The French desire, however, to maintain freedom of action to negotiate similar preferential commercial agreements with other countries covering products in which they are interested.

I remarked that in other words what was intended was the establishment for Indochina of a separate tariff bargaining regime based on the same bilateral preferential treatment that had governed French trade policy for some years back and he confirmed the correctness of this.

As to paragraph b, he stated that the "political agreement" recognizes permanent French interest not only in Indochina (as stated to me by Baudoin) but also in the entire Far East.

As to paragraph c, he stated that the political agreement is subject to the conclusion in reality of only the military accord. When and if the military accord is reached, Japanese troops will immediately enter Indochina.

I remarked that if such a situation actually develops since the "political agreement" apparently contains largely assurances desired by France, there would seem to be no object in making it contingent upon reaching an economic agreement. Chauvel stated that such was the case and that the economic accord would require months of negotiation in any event. In other words, Baudoin's statement to me did not convey an entirely accurate picture since Japanese troops would

enter Indochina immediately upon the conclusion of a military accord rather than wait the negotiation of the economic accord.

The rest of the Department's factual summary Chauvel stated is correct.

MATTHEWS

751G.92/29 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 21, 1940—4 p. m.

[Received September 21—12:50 p. m.]

86. The Deputy Minister of Foreign Affairs informed me today that his Government received late last night the reply of Vichy to the Thai communication of September 13. The reply of Vichy, he said, rejected as "inadmissible" the Thai proposal for the return of two pieces of territory and as "out of the question" the Thai suggestion for the return of all former Thai territory in the event of the change of the *status quo* in Indochina. It was agreed to proceed with the boundary questions in the Mekong River and the French Minister to Thailand will head the French delegation and the Prime Minister the Thai.

The Deputy Minister said his Government would probably continue the general negotiations with Vichy through the French Minister in spite of Vichy's rejection of the major Thai claims. The Cabinet will likely meet either this evening or tomorrow in order to adopt a definite policy. Meanwhile the Thai Assembly today in its final session before recessing for 1 month voted confidence in the Government's ability to handle the situation as it relates to Indochina. This action gives the Prime Minister a free hand to proceed as he sees fit in the matter. The Deputy Minister expressed the opinion that the situation in Indochina is most critical as the result of continuation of negotiations between the Japanese and the French authorities at Hanoi. He said the Japanese had requested the Thai Consul at Saigon to take over Japanese interests in Indochina. The Thai Government is establishing a [Consulate?] at Hanoi, according to a [news item?] in the local press this afternoon.

The Deputy Minister reiterated the statement made by the Prime Minister in the conversation with me on September 17 to the effect that the Thai Government is greatly desirous of having the sympathy of my Government in connection with the Thai proposals. I replied that my Government is still strongly and sincerely of the opinion that the maintenance of the *status quo* in this area is of paramount importance and for the general welfare at this time.

GRANT

751G.94/138 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 22, 1940—noon.

[Received 4:15 p. m.]

605. I have just returned a call on Chauvel which I made at his request. He said that he had shown Baudoin my memorandum of yesterday (please see my telegram 599, September 21, 3 p. m.) and had received the latter's authorization to give us detailed information regarding the progress of the Franco-Japanese negotiations. This he will do tomorrow.

Chauvel then said that the Gaimusho had informed the French Ambassador at Tokyo on September 19 that it was displeased with the slow progress being made in the military negotiations and that unless agreement were immediately forthcoming orders would be given to the Japanese troops to cross the Indochinese frontier during the night of September 22 (Indochinese time). The Ambassador replied that additional time was required in view of the new demands made by the Japanese military authorities at Hanoi (see my telegram No. 589, September 19, 7 p. m.). These include (1) authorization for 20,000 Japanese soldiers to enter Indochina from Kwangsi and 6000 through Haiphong and (2) the stationing of such troops in Indochina, (3) permission for the Japanese to maintain a full military staff at Hanoi.

Chauvel claims that the Japanese Foreign Office had apparently been unaware of the new demands made at Hanoi and that its ultimatum presumably had reference to negotiations regarding the mere transit of troops.

He stated that the Japanese Consul General has left Hanoi as has the Japanese military mission. The chief of the latter has gone to Haiphong to await orders.

Should the Gaimusho fail to request the military authorities to postpone action, Chauvel considers it probable that Indochina will be invaded on the 22d. The French Governor General of Indochina has been instructed to oppose such aggression with force.

MATTHEWS

751G.94/134 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 22, 1940—8 [7] p. m.

[Received September 22—6:40 p. m.]

My telegram of September 22, 8 a. m.⁹¹ I have been informed by the Secretary General that at 3 p. m. today an agreement was signed

⁹¹ Not printed.

by Generals Martin and Nishihara ⁹² giving the Japanese the use of 3 air bases (including the Gialiam airport), all north of the Red River, and allowing them to station 6,000 soldiers at those bases, as well as a small number at Haiphong. The first contingent of Japanese troops is expected to arrive tomorrow at Haiphong.

He also said that subsequent to the signing of the agreement the general commanding the Langson area received a letter from the Canton army, written prior to the signing of the agreement, threatening that the Canton army intended to enter Indochina by way of the Kwangsi frontier either tonight or tomorrow morning and planned to occupy Hanoi. General Nishihara immediately sent a Japanese officer by airplane to the Kwangsi frontier to prevent if possible the threatened invasion. The Secretary General stressed that French forces would resist any Japanese aggression outside the scope of the agreement.

He stated that the agreement had been signed under pressure and in self-defense, that otherwise an attack this evening or in the immediate future was to be expected. He expressed the hope that Indochina would be in a better position to resist further Japanese demands which he anticipated would be made in the not distant future. He was convinced that the Japanese would endeavor eventually to push towards the south, thus endangering Singapore and the Philippines.

The Secretary General gave his personal opinion that, with or without Vichy's consent, Indochina would not have made any agreement with Japan if Indochina had had airplanes and sufficient munitions. In this connection I venture the opinion that for the time being the French Army will honor the agreement but will resist any extension of Japanese activities.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton. Chungking please repeat to Kunming. Bangkok is being informed.

REED

751G.94/139: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 22, 1940—8 p. m.

[Received September 23—12: 05 a. m.]

606. Chauvel telephones me that a long telegram has just been received from the French Ambassador at Tokyo. It stated that the

⁹² Copies of five documents constituting the agreements made between August 30 and September 22 were supplied by the French Foreign Office to the American Chargé in France who telegraphed translations to the Department in telegram No. 610, September 23, 8 p. m. (751G.94/147), and forwarded the French texts with despatch No. 10, September 26 (751G.94/207).

Japanese have refused to give the French additional time to consider the new demands made by the Japanese military authorities at Hanoi (see my telegram 605, Sept. 22, noon). Chauvel said that the French have not modified their position. Since no news has been received this afternoon from their authorities in Indo-China, he considers that this silence may indicate that hostilities have commenced.

MATTHEWS

751G.94/140: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 23, 1940—noon.

[Received September 23—9:29 a. m.]

Reference to my plain language telegram of September 22, 11 p. m.⁹³ According to unofficial sources, the fighting is still going on, Dongdang has been virtually surrounded by the Japanese and Langson has been bombed by Japanese planes within the last hour. All this has taken place despite efforts of the Japanese mission in Indochina to restrain the Japanese forces in Kwangsi. Every effort is being made to localize the matter but there is a possibility that the incident may soon involve a wider area. An air raid alarm has just been given in Hanoi.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton. Chungking please repeat to Kunming.

REED

751G.94/142: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 23, 1940—1 p. m.

[Received 4 p. m.]

607. My telegram No. 606, September 22, 8 p. m., and previous. Chauvel told me this morning that a military agreement was reached at Hanoi yesterday afternoon which specifically prohibited the entry of Japanese soldiers from the Kwangsi division into Indochinese territory. News of the agreement was immediately communicated by General Nishihara to the commander of that division but in spite of this, last night Japanese troops did enter Indochina in the region of Dongdang. They were resisted by force. To add to this confusion, said Chauvel, and as an example of Foreign Office coordination between various Japanese governing authorities, the Foreign Office at Tokyo

⁹³ Not printed; it reported that the Japanese had attacked Dongdang from Kwangsi Province (751G.94/135).

had immediately complained to the French Ambassador that "in spite of an agreement having been reached the French had created an incident[?]."

He told me that the French had now approximately 100,000 troops in all Indochina of which some 50,000 are north of the Red River.

He is giving me this afternoon the text of the political agreement and a summary of the military accord which I shall cable immediately.⁹⁴

He remarked significantly that he personally had never for a moment doubted that Japan's ultimate objective was the occupation of and control of French Indochina.

MATTHEWS

751G.94/141 : Telegram

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

TOKYO, September 23, 1940—5 p. m.

[Received September 23—8:55 a. m.]

880. 1. The French Embassy informs me that the official communiqué quoted in paragraph 2 of our 881, September 23, 6 p. m.,⁹⁵ was by mutual agreement to have been published in Vichy, Hanoi and Tokyo this morning on the entry of Japanese troops into Indochina but that owing to the reported clash between Japanese and Indochinese troops at Dongdang the Foreign Office informed the French Ambassador that the publication in Japan of the communiqué would be delayed until the irritation aroused by the clash had subsided although the Japanese Government realized that the clash had occurred through delayed transmission of orders to the Indochinese troops and was not disposed to hold the French Government responsible. Apparently as a result of the representations of the French Ambassador, a communiqué was published in Tokyo this afternoon (our 881, September 23, 6 p. m., paragraph numbered 1) but the Department will observe that it materially differs from the text which the French Embassy informs me was jointly agreed upon.

2. The French Embassy further informs me that prior to the signing of the Franco-Japanese agreement in Hanoi, the Japanese military made further unreasonable demands but it is understood that these demands were finally withdrawn. The present agreement according to the French Embassy provides for the passage of Japanese forces through Indochina and the occupation and use of three air bases with adequate Japanese personnel to man the bases. The agreement is said to be exclusively military and to include no commercial or eco-

⁹⁴ Not printed; see footnote 92, p. 142.

⁹⁵ *Infra.*

conomic provisions although such provisions may be the subject of future negotiations.

Sent to the Department, repeated to Shanghai for Chungking.

GREW

751G.94/137 : Telegram

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

Tokyo, September 23, 1940—6 p. m.

[Received September 23—8 : 55 a. m.]

881. 1. Following is text of official Japanese communiqué published in Tokyo today :

"With a view to settling the China affair and thereby facilitate the establishment of a new order in East Asia, the Foreign Minister, Mr. Yosuke Matsuoka, held conversations in a friendly spirit with the French Ambassador, Mr. Charles Arsene-Henry, on basic matters regarding the question of French Indochina at Tokyo during the month of August of this year.

As a result of these conversations, France agreed to afford [*accord?*] in French Indochina all such facilities of military nature as are required by the Japanese Army and Navy for executing their campaign for the settlement of the China affair.

On the basis of this agreement, negotiations were conducted on the spot—at Hanoi—for the purpose of deciding upon concrete matters between the Japanese and French military authorities, which resulted in an agreement in the afternoon of September 22."

2. Following is close translation of French text which the French Embassy informs me was by mutual agreement to have been published as a joint communiqué in Vichy, Hanoi and Tokyo today :

"With a view to contributing to the establishment of the new order in East Asia and the solution of Chinese affairs, negotiations on fundamental questions concerning French Indochina have been carried on in Tokyo, during the month of August last, in a very friendly atmosphere, between Mr. Matsuoka, Minister for Foreign Affairs, and Mr. Arsene-Henry, French Ambassador.

The Japanese Government has given the French Government the assurance that it intends to respect the rights and interests of France in the Far East and notably the territorial integrity of Indochina and the sovereign rights of France over all parts of the Indochinese union.

For its part the French Government has agreed to accord to the Japanese Government for the Imperial Army and Navy special facilities in Indochina for the pursuit of their operations.

Conversations with a view to regulating the details of these facilities of a military nature have been held in Hanoi between the Japanese and French military authorities who on September 22 reached a satisfactory agreement."

3. The foreign spokesman in a statement issued today declared *inter alia* that "inasmuch as the present agreement between Japan

and France has been based on peaceful talks between the two countries, there could be no objection to it from any other foreign country."

4. The Chief of the Army Intelligence Section Imperial Headquarters is quoted in the press as stating *inter alia*: "The Franco-Japanese talk was at first opened in a friendly atmosphere. But certain third countries, which are opposed to the establishment of the Far Eastern sphere of common prosperity, concentrated their effort in French Indochina to interfere with the negotiations going on between the Japanese and Indochinese authorities. Consequently the negotiations dragged on longer than they should have." That officer attributes the clash between Japanese and Indochinese troops to the eleventh hour signing of the agreement and the difficulty of conveying news of the agreement to the farthest point along the border.

GREW

751G.94/185

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

[WASHINGTON,] September 24, 1940.

The French Ambassador called to see me this morning at his request. The Ambassador said that he desired to give me the latest information that he had received with regard to the situation in Indo-China. He read to me two telegrams that he had received directly from Admiral Decoux, the Governor General, explaining that after the agreement with Japan had been signed, the Japanese Kwangsi army, in complete disregard of the terms of the agreement, had invaded Indo-China near Langson; that the French forces had resisted and that notwithstanding the efforts of General Nishihara to prevent a continuation of the conflict, hostilities had been in progress in various sections along the frontier throughout the day and night of September 23. Admiral Decoux stated in his telegram that the French forces were determined to resist to the last man.

The Ambassador added that he, himself, was delighted that this resistance had been shown and that he hoped that the American press and public opinion in this country would realize that the French were not as supine as they had recently been made to appear.

The Ambassador asked if it were not possible for the United States to give some assurance that the Indo-Chinese Government could obtain munitions and aviation materiel in the United States. I said to the Ambassador that as a matter of policy the Government of the United States would furnish, so far as might be found possible, material assistance to the victims of aggression in the Far East but that when he made this request of me I was forced to remind him of the fact that

at the very moment he was requesting us to sell our planes to Indo-China, ninety airplanes which the French Government had purchased from the United States were fast deteriorating on the hills of Martinique. I said this was an absurd situation which the Ambassador would readily comprehend. The Ambassador again stated that he had done his utmost to persuade his Government to send these airplanes to Indo-China. He stated that in response to his very vigorous telegrams to his own Foreign Office on the subject he had received only negative replies which had, in fact, shown great irritation with him because of his insistence.

I asked the Ambassador if he could explain to me the reasons why his Foreign Office, on the preceding day, had issued a statement to the press alleging that the Government of the United States had approved the agreement of August 30 between the Vichy Government and the Japanese Government when, as a matter of fact, as the Ambassador well knew, no such approval had ever been given. This statement, I said, had obliged the Department of State to issue a flat denial.⁹⁶ The Ambassador was very uneasy in commenting upon my inquiry and all that he could say was that he could only assume that the press had misquoted what the French Foreign Minister had stated. The Ambassador said that he well knew that this Government had not approved the agreement and that all he had gathered was that this Government had understood the difficult situation in which the Vichy Government found itself. He said that he intended to hold a press conference at his Embassy in the afternoon at which he would make this fact clear and at which he also trusted the course of events in Indo-China, which he would relate to the press correspondents, would obtain a more sympathetic feeling on the part of the public here with regard to France's situation.

[For remainder of this conversation, which concerned the British and Free French attack on Dakar, see volume II, section entitled "Interest of the United States in Political and Economic Conditions . . ." under France.]

756D.94/83

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

[WASHINGTON,] September 24, 1940.

The Chargé d'Affaires of the Netherlands ⁹⁷ called to see me this morning by instruction from his Government. The Chargé d'Affaires

⁹⁶ See press release issued by the Department of State, September 23, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 297.

⁹⁷ Baron C. G. W. H. van Boetzelaer van Oosterhout.

stated that his Government desired to urge that so long as the pending negotiations in the Netherlands East Indies between the Japanese Mission and the local authorities were continuing, the Government of the United States would not take any drastic steps to curtail exports to Japan.

I told Baron van Boetzelaer that this question had been given the fullest consideration in any discussion on the part of Government officials here with regard to the effect of such possible measures on the Netherlands East Indies. I stated that his Government well knew the importance which this Government attributed to the maintenance of the *status quo* in the Pacific and to the unimpaired integrity and independence of the Netherlands East Indies. I said, however, that I doubted if the Netherlands Government would believe that the interest of the Netherlands East Indies, or of those peaceful governments like the United States, which desired to strengthen the maintenance of the *status quo* in the Pacific, would be advanced through the adoption by the United States of an attitude of complete supine acquiescence in the continuing and ever-enlarging policy of Japan of aggression in the Pacific region. I stated that in the opinion of this Government it was desirable to furnish as much assistance financially and materially as possible to China in her efforts to resist Japanese aggression, and that if the Government of Indo-China pursued the same course of resistance, we would see what ways could be found to furnish material assistance to that Government as well. That policy was cardinal to the Government of the United States. I said further, however, that the time had now come when this Government could not continue to acquiesce in permitting the export to Japan of materials from the United States which aided Japan in her present policy of aggression. I said, however, for the confidential information of the Netherlands Government, that the Chargé d'Affaires could inform his Foreign Office that for the moment, at least, no thought was being given by the Government of the United States to any further restrictions on the exportation of oil products to Japan and that any additional restrictions which are now under consideration would involve products which were not manufactured, and which could not be obtained, in the Netherlands East Indies.

The Chargé d'Affaires expressed his gratitude for the information I had given him which he said he would immediately communicate to his Government.

S[UMNER] W[ELLES]

751G.94/155: Telegram

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

CHUNGKING, September 24, 1940—2 p. m.

[Received 5:04 p. m.]

481. My 474, September 20, noon.⁸⁸ The Minister for Foreign Affairs sent for me this morning and gave me a résumé of discussions between the Chinese and Vichy Governments concerning Japanese demands on Indochina. He said both the French Government and the Indochina Government had repeatedly vacillated. When the Chinese Government first learned of the demands, it presented a memorandum at Vichy asking for the following assurances: (1) that if the Japanese were allowed to send troops into Indochina the Chinese would be given a similar privilege; (2) that no assistance would be afforded Japanese forces in their operations; and (3) that the French would remain neutral in case of hostilities. An [*aide-mémoire?*] was received assenting to the first item but replies to the second and third were refused on the ground that they were too vague.

On his request I told the Minister for Foreign Affairs what information the Embassy had received from Hanoi concerning recent events and he said that his information confirmed ours. He then said that he would be grateful if I would inform the American Government that the Chinese Government had made adequate preparations to deal with the situation that had developed in Indochina but that his Government wished to learn what action the American and British Governments intended to take in order that there might be "concerted" action and was making the same announcement [*approach?*] to the British Ambassador. He inquired what attitude the American Government was taking toward the Japanese measures in question.

I replied that the American Government had verbally expressed its dissatisfaction with the proposal that Japanese forces should enter Indochina but that I found it impossible to envisage to myself the despatch of American troops to that country and therefore I could not foresee any possibility of concerted action in any sense implying similarity of action since I inferred that the Chinese contemplated military measures. The Minister suggested that the American Government might well be contemplating economic or other measures which it was thoroughly understood would be short of war.⁸⁹

⁸⁸ Not printed.

⁸⁹ The Chief of the Division of Far Eastern Affairs, commenting on September 28, wrote that "in the light of the statements of the Secretary in regard to the situation in Indochina and especially in the light of the new loan to China and the placing of scrap iron and steel on the embargo list, it is not considered that the telegram under reference requires a specific reply by the Department." For the Secretary's statement on September 23, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 297; for loan negotiations, see *post*, pp. 636 ff.

I assured the Minister that I would convey his inquiry promptly to my Government. By dint of questioning I ascertained that an approach along similar lines had been addressed to the Soviet Government but directly to Moscow rather than to the Ambassador in Chungking.

As indicative of measures that may be contemplated by the Chinese, I may say that Reuter's correspondent here has stated that there are now 200,000 Chinese troops along the Indo-China border in Kwangsi and Yunnan including 1 division of National Government troops in the latter province.

Sent to Department. Repeated to Peiping. Peiping repeat to Tokyo by air mail, Yunnanfu.

JOHNSON

751G.94/153 : Telegram

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

CHUNGKING, September 24, 1940—4 p. m.

[Received September 24—2:24 p. m.]

483. The official Central News Agency carries the following local item under a September 23 date line in regard to developments in Indochina:

"Following the signing of the Franco-Japanese agreement at Hanoi yesterday afternoon, the Foreign Ministry has lodged a most vigorous protest with the French authorities. The protest, after reasserting China's right to take such measures of self defense as may be deemed necessary, declares that the French Government will be held responsible for all losses and consequences which may arise therefrom."

Sent to the Department. Repeated to Peiping and Shanghai. Shanghai please air mail to Tokyo. Air mail to Hanoi and Kunming.

JOHNSON

751G.94/182

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

[WASHINGTON,] September 24, 1940.

The Chinese Ambassador called to see me this afternoon to communicate to this Government a message from the Chinese Government to the effect that the Chinese army had undertaken military preparations both along the Kwangsi frontier of Indo-China, as well as along the Yunnan frontier. The Chinese Government wished the Government of the United States to know that should the Japanese attempt to invade China through Indo-China, the resistance would be far more considerable than the resistance which had taken place

at Canton or at Nanning. The Ambassador said that the Chinese Government now had under its control approximately one-third of the Yunnan railway and that he believed that a very stiff resistance would be put up by the Chinese troops.

The Ambassador once more stressed the importance to China of the reopening of the Burma Road and expressed the hope that the United States would do everything possible to persuade the British Government to reopen the Road.

I asked the Ambassador if he had any information as to the progress of the loan negotiation. The Ambassador said that he had not today but that he took it for granted that the matter would soon be concluded.

S[UMNER] W[ELLES]

751G.94/150 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 24, 1940—7 p. m.
[Received September 25—5: 51 a. m.]

623. My 621, September 24, 5 p. m.¹ Chauvel has just shown me the latest telegram received from the French Ambassador at Tokyo. The latter reported that the Japanese Foreign Office was obviously uninformed of the true situation with respect to French Indochina and evinced considerable embarrassment when he explained the facts. He said they were impressed by Admiral Decoux's appeal to the Indo-chinese population to accept with calm the agreement reached with the Japanese. Arsene-Henry believes that Tokyo will make an endeavor to bring about a withdrawal of the Japanese forces from Indo-chinese territory.

The main question now, he said, is to ascertain whether the Japanese Canton arm will accept the accord signed by Nishihara or whether it won't.

The exact text of the pertinent paragraph 5 of the military accord of September 22nd has now been received in Vichy. Chauvel has given me a copy which reads as follows in translation :

"The Japanese troops which are at present near the Sino-Indo-chinese frontier may, at the request of the Japanese authorities, be transported across Indo-chinese territory in order to embark at the port of Haiphong.

Transportation of these troops necessitating a detailed study will be the subject of a special accord between the two general staffs. Until this accord shall have been concluded, no Japanese troops shall cross the Indo-chinese frontier."

MATTHEWS

¹ Not printed.

893.24/882 : Telegram

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

LONDON, September 25, 1940—6 p. m.

[Received September 25—1:15 p. m.]

3206. According to a high Foreign Office official, there is some difference of opinion at present in the Foreign Office as to whether the agreement with Japan for closing of the Burma Road until October 18 should be abrogated at once in view of recent Japanese aggression in Indochina or allowed to operate until it expires on October 18. There is no difference of opinion, however, on the conclusion that the Road must be reopened on the expiration of the present agreement. The matter is being threshed out and will have to go before the Cabinet for final decision. The official said that when the decision is reached the Foreign Office will telegraph a full statement of the British views and conclusions to Lord Lothian for communication to you.

KENNEDY

751G.92/36 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, September 25, 1940—6 p. m.

[Received 8:10 p. m.]

91. Referring to the Legation's No. 90, September 24, 4 p. m.,² the Deputy Minister of Foreign Affairs informed me this afternoon that his Government, following a meeting of the Cabinet this morning, had sent another telegraphic communication to Vichy requesting reconsideration of the Thai claim for the "adjustment of the frontier" between the two countries, involving the two small pieces of territory on the northern and eastern frontier designated as 2 in the Thai *aide-mémoire* to Vichy dated September 13, which was incorporated in the Legation's telegram 78, September 15, 4 p. m.³ The Deputy Minister said request had been made of Vichy to authorize consideration and settlement of this claim by the French delegation which will consider jointly with a Thai delegation the question of the boundary line within the Mekong River. He stated, in response to my inquiry, that Vichy had been informed that the Thai Government considered that the question of the return to Thailand of the territories of Laos and Cambodia, mentioned in the last paragraph of the *aide-mémoire* referred to above, could be discussed later if and when the question of the

² Not printed.³ Not printed, but see footnote 80, p. 117.

sovereignty of Indochina arose. He added that Vichy had been informed that the Thai Government desires to negotiate the matter in an amicable and friendly manner and that it is ready to put into force the Pact of Non-aggression between Thailand and France when agreement is reached on the proposed adjustment of the frontier. The Deputy Minister said that in reply to the [Vichy] reference to "normal conditions" in Indochina, his Government had called Vichy's attention to the fact that conditions in Indochina were not normal at the time of the Vichy reply and are less normal now.

The Deputy Minister then asked me what I thought of the latest Thai communication to the Vichy Government. I replied that while it appeared to be moderate in tone, I wished to reiterate what I had said over and over again for his consideration and that of the Prime Minister, namely, that it would seem to be unwise for Thailand to create any agitation or make any move at this time which might tend to aggravate an already disturbed condition of affairs and to encourage aggression by a third party in Indochina. I stated that my Government was not adopting an unfriendly or unsympathetic attitude toward Thailand in urging the strict maintenance of the *status quo* in this area, that it sincerely believes that such a policy is for the general good and for the good of Thailand.

Foregoing repeated to Tokyo.

GRANT

751G.94/160: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 25, 1940—8 p. m.
[Received September 25—5: 30 p. m.]

The Governor General has just informed me that, in the hope that the implementing of the agreement signed Sunday September 22 (my telegram of [September 22,] 7 p. m.) will prevent a large scale attack and will also influence the Canton army to stop the invasion of Tongking, it has been agreed that the Japanese may land at Haiphong tomorrow morning (the first contingent to be 1,000), the occupation of the airports to follow within a few days as well as the landing of the other troops envisaged by the agreement. He explained that Nishihara has promised to use his influence to stop the pressure by [the Canton army] but he seemed to be far from optimistic as to the success of Nishihara's promised efforts. He was in fact extremely pessimistic as to the future but he added a peaceful occupation of Tongking north of the Red River gave some room for hope of Indochina's territorial integrity—if the Japanese kept their [promise]. He and other officials with whom I talked today were very despondent.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton; Chungking please repeat to Kunming.

REED

751G.94/163 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, September 26, 1940—10 a. m.

[Received September 26—8 a. m.]

Notwithstanding yesterday's agreement (my telegram of September 25, 8 p. m.), Haiphong was bombed this morning about 7 a. m. Damage is reported to have been light but details are not available as communications are cut, situation is so uncertain and further Japanese activities seemingly so certain that evacuation of women and children is commencing although not officially ordered. All American women have left or are leaving and American men are ready to leave at a moment's notice.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Canton. Chungking please repeat to Kunming.

REED

756D.94/74 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, September 26, 1940—3 p. m.

[Received September 26—8:22 a. m.]

1. On September 25 the Japanese delegation presented an *aide-mémoire* to the effect that the Japanese Government intends to transfer from Tokyo to Batavia the negotiations concerning the purchase of Netherlands Indies petroleum products; that Mukai would be in charge thereof and that the Government of the Netherlands Indies was requested "to pay special attention to see the negotiations be speedily brought to a satisfactory end". The local government replied that it had no objections to their contacting the representatives of the oil companies and suggested that this be done at once; that the delegation which came here uninvited about 2 weeks ago had thus far discussed only petroleum, that no agenda had been arranged without which it appeared doubtful whether useful results could be attained.

2. Director of Economic Affairs told me today that the determination of this Government to resist all forms of aggression had not weakened but that he does not understand the attitude of the United States concerning embargoes against Japan and the failure of the

Department to issue export permits covering munitions of war already contracted for. He emphasized the urgency of the need for munitions and said that the Governor General is telegraphing the Netherland Minister at Washington today concerning the matter.

3. It is generally believed that the lull in the negotiations resulted from the desire of the Japanese to await the outcome of events in French Indochina and that if they are successful the Netherlands Indies and the Malay Peninsula will meet the same fate in the near future.

Repeated to Tokyo.

FOOTE

751G.94/1694 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 26, 1940—6 p. m.

[Received 7:42 p. m.]

642. Chauvel has just rushed in to show me the latest telegram received from Hanoi. It was sent at 5 a. m. Vichy time today. It reported that surrounded by superior Japanese forces, the French detachment at Langson was compelled to surrender at 6 p. m., September 25. The telegram went on to say that although the Japanese "had been offered our landing facilities at Haiphong they preferred to force an offensive landing and had done so south of Dason." In addition three waves of Japanese aeroplanes had bombed Haiphong, resulting in 15 deaths. Hanoi reported that the situation both as to the military and naval elements was confused and that these actions were taken entirely contrary to Tokyo's orders. The telegram added that the French were attempting to establish "peaceful contact" with the elements at Haiphong which had not yet landed.

Chauvel was visibly agitated and indignant. He said that he did not know how much longer the French could attempt to mollify the Japanese and that it was "unprecedented" that the military should disobey Tokyo's orders where the action concerned a foreign power. I remarked that I knew very little about the Far East but I seemed to recall a great many instances of similar disobedience within the last decade. He added: "As I told you, we have asked the Chinese not to move but we cannot expect them to maintain that attitude very long if this goes on. Also we obviously cannot afford to be at war with both Japan and China!"

MATTHEWS

751G.94/172 : Telegram

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

CHUNGKING, September 27, 1940—10 a. m.

[Received September 27—8:52 a. m.]

486. My 481, September 24, 2 p. m. In course of a conversation last evening on general subjects Minister for Foreign Affairs stated that while Chinese Government both at Vichy and at Hanoi had on several occasions offered to join French in resisting Japanese encroachment in Indochina French had vacillated between agreement and refusal as crises in discussions between them and Japanese occurred. He stated that the final word from the French in Indochina was that if the Chinese entered Indochina French would have to resist them and Chinese might find French cooperating with the Japanese. It is my belief that Chinese will not send troops into Indochina. Chief danger from Japanese in Indochina will be air attacks on strategic bridges on Burma Highway and factories in the Yunnan District.

Sent to the Department. Repeated to Peiping and Hanoi. Peiping repeat to Tokyo. Code text to Kunming.

JOHNSON

751G.94/175 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, September 27, 1940—7 p. m.

[Received 7:45 p. m.]

651. Chauvel tells me the situation in Indochina has greatly improved; word has just been received from Hanoi that Japanese advance posts in the Langson area have begun to withdraw; that some 2,000 troops which debarked at Dosan are to be considered as part of the 6,000 agreed upon and that the commander of the Canton army is being removed.

He said in strict confidence that this "improvement" had required intervention from the highest quarter, namely the Emperor, to bring it about.

MATTHEWS

893.24/929

Memorandum of Conversation, by the Assistant Secretary of State (Berle)

[WASHINGTON,] September 27, 1940.

The Australian Minister asked me if I could perhaps see him this evening, and I accordingly called by his house on my way home.

He wanted to discuss, unofficially, the situation created by the

German-Japanese-Italian accord.⁴ He said that the question was now up as to whether they would open the Burma Road. He did not ask me to comment, but he wondered whether it might not be assumed that in the event that war resulted, we would immediately assist by going to war with Japan. He said he had been talking to Dr. Hornbeck, who was, as he put it, "belligerent"; and that Lord Lothian was in favor of opening the Burma Road at once and taking a strong line. This of course implied that if war resulted, we would be in it.

I said since he had released me from commenting, I would not comment. Factually, however, I permitted myself the suggestion that the British might themselves have in mind the possible effect of such a situation on Atlantic affairs, including supplies which they themselves were pressing us for.

Mr. Casey then observed that he had cabled his government about the possibility of supplying some arms to Indo-China, but they had replied that they could not, because they needed all they had for themselves. I said that there always was a difficulty presented in these cases: Is the greatest usefulness obtained by keeping arms close to home, or by letting them go elsewhere, so as to prevent the conflict from coming nearer home? Mr. Casey observed that the British had found it useful to keep theirs close to home, as, for instance, the decision not to use the Royal Air Force in extended operations in France. I confined myself to commenting that the policy urged on us seemed frequently to be a different one; but that the difficulties involved in making a decision either way were of course very great.

As I left, Mr. Casey returned once more to the question of whether it might not reasonably be assumed that in the event of any British or Empire step which led to a declaration of war or actual hostilities by Japan against them, we would promptly come to their assistance.

I again said I could not comment, but in leaving I did not want to have any misunderstanding. There would be, I thought, very great reluctance to become involved in hostilities in the Far East until defenses in the Atlantic were considered entirely safe. This, of course, was a purely personal opinion.

A. A. BERLE, JR.

762.9411/54: Telegram

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

CHUNGKING, September 30, 1940—9 a. m.

[Received September 30—1 a. m.]

493. At his request I went to see the Minister for Foreign Affairs last evening and he stated that he wished me to inform you at the re-

⁴ For summary of pact signed at Berlin September 27, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 165; see also *Foreign Relations, 1940*, vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

quest of the Generalissimo that the Chinese Government, determined to continue its military resistance, was giving a close study to the political aspects of the situation created by the recently announced German-Japanese-Italian alliance by which Germany and Italy had recognized Japan's claim to dominance in the Far East. [He] was anxious to know what concrete steps the United States proposed to take in the light of the above mentioned alliance. I informed him that I would be glad to transmit this inquiry but that I doubted whether the American Government would be prepared at this time to state just what concrete steps might be taken. I said that the policy of the United States Government had been clearly and consistently stated from time to time and that steps taken indicated that this policy was being consistently pursued.

I referred to the Secretary's quoted statement ⁵ (Bulletin No. 230) in regard to Tripartite Alliance and said that I was sure that American authorities had and would take all foreseeable conditions and developments into consideration in implementing the Government's policy but that it would be difficult for the Government at any one moment to state what steps might be taken in the future. He appreciated this but desired that I transmit the request as coming from the Generalissimo and I said that I would. I referred to his conversation reported in my 481, September 24, 2 p.m., and stated that the steps taken by the American Government in the light of the situation then developing, while they could hardly have been announced beforehand, when taken appeared to be logical and consistent with announced policy. The Minister of Foreign Affairs then asked whether the American Government knew the reaction of the Chinese Government and people to these steps and I said that we had reported the reactions as described in local press.

He asked me to make a special point of saying to you that the Chinese Government and the people of China were very grateful indeed for the steps which the American Government had taken.

The Minister for Foreign Affairs then stated that the Generalissimo had especially asked him to ask me to pass on to you his view that Japan would now proceed speedily to pursue a southern advance and that almost at once Japan would make an attack on Singapore. I stated that I would communicate this and added that I felt certain that this was one of the developments which had been taken into consideration by the American Government in following the policy which it was following.

In conclusion the Minister for Foreign Affairs asked me to inform you China has formally requested the British Government to reopen the Burma Road.

⁵ Dated September 27, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 169.

Sent to the Department. Repeated to Peiping. Peiping repeat to Tokyo.

JOHNSON

762.9411/814

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 30, 1940.

The British Ambassador called at his request. He invited my comment regarding the significance and probable effect of the recently announced German-Italian-Japanese alliance. I replied that I could better deal with the matter by referring to the views of capable analysts than by expressing an individual opinion. I went on to say that it came about primarily due to Hitler's effort to divert attention from his failure to invade Great Britain and to preserve his prestige by a sensational announcement of something that already existed. Then I merely recited the facts as to the true situation since 1937, up to and including my public statement following the announcement of the German-Japanese-Italian alliance last week. I could best illustrate this analysis of the matter by referring to what we have often said about the certainty that Japan would, as a most ordinary precaution, find it necessary to assume that whether or not the United States and Great Britain have express or definite agreements in regard to naval and air bases across the Pacific to and including Singapore, the special relations between these two countries are such that they could overnight easily establish cooperative relations for the mutual use of all of these bases; that, therefore, the relations between Germany, Italy and Japan, each having a common objective of conquering certain areas of the world and each pursuing identical policies of force, devastation and seizure, have been during recent years on a basis of complete understanding and of mutual cooperation for all purposes mutually desirable and reasonably practicable, with the result that the recent announcement was part and parcel of the chain of related events. The Ambassador said that this was the view of himself and his Government.

I said that I would be interested to inquire whether and to what extent British and Dominion business men are carrying on normal financial and commercial relations with Japan. The Ambassador said that he made inquiry of his Government some time ago when I brought this same matter to his attention, but that he had thus far received no reply.⁶

⁶ On November 11 the British Embassy supplied information on this subject to the Department and, summarizing, stated that no unsecured credit facilities in London at that time were enjoyed by Japanese banks and merchants, while the Dominion Governments had been requested to consider acting similarly (694.1115/32).

I then added that I would be interested to make another inquiry, and that is whether and to what extent the British and Dutch Governments and peoples, especially in the South Pacific area, have conferred relative to pooling their defense forces in case of threatened danger from elsewhere, and if so, what are the facts as to the size of such pooled forces, and what size fleet would be necessary to overcome and capture them and the countries they represent. It appeared that this was a matter of first impression to the Ambassador, but he readily remarked that that was a very important point for thought and attention, and that he would give me any information available very soon.

The Ambassador said that his Government would be interested to know the view of this Government about a British announcement now to the effect that the Burma Road would be reopened on the seventeenth of October. I replied that I could not undertake to express an opinion on that question as to the effect of such an announcement; that I doubted, however, if it would change any of the plans of Japan, except that the Japanese might say something or do something that they had already decided to say or do; that the matter of what the British would say on the seventeenth of October about reopening the road so far as its effect on Japan might be concerned is another question. I then proceeded to say that this Government has pursued a definite and somewhat progressive line of acts and utterances in resisting Japanese aggression and treaty violations during recent years; that these acts and utterances have comprised repeated aid to China, successive moral embargoes, abandonment of the commercial treaty, actual embargoes under law, the sending of our Navy to Hawaii, together with appropriate statements and notes of strong remonstrance against Japanese steps of aggression and constant repetition of the basic principles of world order under law. I added that I did not undertake to predict, much less to make commitments, as to how fast and how far this Government may go in following up the various acts and utterances in which it has been indulging; that, of course, the special desire of this Government is to see Great Britain succeed in the war and that its acts and utterances with respect to the Pacific area would be more or less affected as to time and extent by the question of what course would, on the part of this Government, most effectively and legitimately aid Great Britain in winning the war. I finally added that this general statement, coupled with the repeated statement of my Government that it was opposed to the closing of the Burma Road for considerations of international commerce, et cetera, is self-explanatory.

The Ambassador indicated that his Government would contemplate letting the road be open after October 17th.

C[ORDELL] H[ULL]

756D.94/82: Telegram

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

WASHINGTON, October 3, 1940—6 p. m.

376. Your 927, October 2, 5 p. m.,⁷ first section. There is no warrant in any statement made by officers of the Department for a report by anyone that it is "the view of the American Government that no evidence exists of preparations by the Japanese looking to action against the Dutch East Indies." In view of repeated indications by British and Netherlands officialdom of apprehension lest the Japanese, unless immediately accorded sweeping concessions by the Netherlands East Indies, might proceed in force against the Netherlands East Indies in the near future, Hornbeck in particular put to Lothian on September 19 a number of questions. Stating that we have no evidence of special preparations, such as the assembling and equipment of an expeditionary force, by the Japanese looking toward early action against the Netherlands East Indies, Hornbeck inquired whether the British and the Dutch have any knowledge of any such preparations. Lothian stated that he had none but that he would make inquiry. On September 30 Hornbeck reminded Lothian of the group of questions which he had asked 12 days before. Lothian said that he had passed the questions on to London but had received no reply to any of them.

We make no assumption that the Japanese will not attack the Netherlands East Indies. We believe, however, that the making of a decision by them to make such an attack would be invited and accelerated by indications that the Dutch were willing to accede to whatever the Japanese demanded, whether reasonable or unreasonable, and, conversely, would be discouraged or retarded by efforts on the part of the Dutch to keep the current negotiations on an essentially commercial basis with indication of a willingness to meet reasonable desiderata but no intention of complying with excessive and discriminatory demands.

HULL

⁷Not printed. This telegram, numbered 927 and 928, transmitted paraphrases of telegrams from the British Ambassador in Japan to the British Secretary of State for Foreign Affairs, commenting on a report from the British Ambassador in Washington. The British Ambassador in Japan cited indications of Japanese intentions to act against the Netherlands East Indies and warned against either relaxing opposition to Japanese moves of aggression or any declaration or act which would incite Japan to make an attack before the United Kingdom and the United States were prepared for such a contingency. He warned also that, if Japan reached an agreement with the Soviet Union and the United States meanwhile failed to give clear indication that it would assist against aggressive moves by Japan, the British must be ready for an immediate attack upon Singapore and Hong Kong.

751G.94/203 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, October 4, 1940—9 a. m.

[Received 6:45 p. m.]

6. Yesterday evening Secretary General informed the American newspaper correspondent that the concessions given the Japanese under Japanese pressure greatly exceed the terms agreed upon September 22. He stated also that, in addition to the military headquarters, the Japanese naval air force headquarters will be located in Hanoi and that there are already some 200 Japanese soldiers in Hanoi. At the same time he announced that the Japanese will start releasing the French prisoners taken at Langson (stated to be 2,100). In this connection it appears fairly certain that the release was predicted [*predicated?*] on new concessions to the Japanese as regards Hanoi.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

711.00111 Armament Control/2495 : Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, October 4, 1940—5 p. m.

54. On October 4 the Thai Minister called at our request. An officer of the Department⁸ informed him that, due to the needs of our national defense program, this Government was being obliged to conserve for its own uses various commodities; that this country's needs were steadily expanding; that as a result of this general situation the Government had had to cancel licenses previously granted for export of certain commodities; that on October 3 the Government had taken steps to stop the export of five Fairchild training aircraft which were ready for shipment to Thailand; that after much consideration decision had been reached last night to permit export of this particular shipment; that this decision had been arrived at reluctantly due to our own acute needs; and that we could of course give no assurance that other shipments of arms and munitions applications for which had already been granted would be permitted to leave American territory. The Minister expressed appreciation of this Government's action in permitting export of the five Fairchild training aircraft and said that he of course realized that under a license system licenses were subject to cancellation.

HULL

⁸ Maxwell M. Hamilton, Chief of the Division of Far Eastern Affairs.

740.0011 European War 1939/5845½ : Telegram

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

LONDON, October 4, 1940—9 p. m.
[Received October 4—8:11 p. m.]

3325. Personal for the President from Former Naval Person.⁹

"After prolonged consideration of all the issues involved we today decided to let the Burma Road be reopened when the 3 months' period expired on October 17. Foreign Secretary and I will announce this to Parliament on Tuesday 8th. I shall say that our hopes for a just settlement being reached Japan and China have not borne fruit and that the Three Power Pact revives the Anti-Comintern Pact of 1939¹⁰ and that it has a clear pointer against the United States. I know how difficult it is for you to say anything which would commit the United States to any hypothetical course of action in the Pacific. But I venture to ask whether at this time a simple action might not speak louder than words. Would it not be possible for you to send an American squadron, the bigger the better, to pay a friendly visit to Singapore. There they would be welcome in a perfectly normal and rightful way. If desired, occasion might be taken of such a visit for a technical discussion of naval and military problems in those and Philippine waters and the Dutch might be invited to join. Anything in this direction would have a marked deterrent effect upon a Japanese declaration of war upon us over the Burma Road opening. I should be very grateful if you would consider action along these lines as it might play an important part in preventing the spreading of the war.

In spite of the Dakar fiasco¹¹ the Vichy Government is endeavoring to enter into relations with us which shows how the tides are flowing in France now that they feel the German weight and see we are able to hold our own.

Although our position in the air is growing steadily stronger both actually and relatively, our need for aircraft is urgent. Several important factories have been seriously injured and the rate of production is hampered by air alarms. On the other hand our losses in pilots have been less than we expected because in fighting over our own soil a very large proportion get down safely or only wounded. When your officers were over here we were talking in terms of pilots. We are now beginning to think that airplanes will be the limiting factor so far as the immediate future is concerned.

I cannot feel that the invasion danger is passed. The gent has taken off his clothes and put on his bathing suit but the water is getting colder and there is an autumn nip in the air. We are maintaining the utmost vigilance."

KENNEDY

⁹ Code name for Winston Churchill, British Prime Minister, formerly First Lord of the Admiralty.

¹⁰ Presumably reference to pact of 1936 between Germany and Japan, to which Italy adhered in 1937; see *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 153 and 159.

¹¹ Dakar, French West Africa, was unsuccessfully attacked by British and Free French forces September 23-25.

751G.92/52: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 4, 1940—11 p. m.

[Received October 5—4: 30 p. m.]

103. As the result of a conversation with the Prime Minister this afternoon which continued for one hour and a half I am convinced that the military and political leader of Thailand is virtually a prisoner and certainly a puppet of a military clique which has the power and is determined to use force if necessary at the appropriate time in order to get what it wants in Indochina, in conformity of course with the Japanese program. I believe that the Thai plan of expansion contemplates more than the two small sections of frontier territory on the west bank of the river Mekong. That is the entering wedge. The offensive will take place when the Thai military group receives the "all clear signal" from Japan. It may come therefore within a few weeks or there may be considerable delay. Meanwhile the negotiations will be continued with Vichy primarily for the consumption of the democratic nations, particularly the United States.

The men behind the scenes in the Foreign Office are staging this show. The Prime Minister is told what to say and do. If and when the military action takes place the Prime Minister and Commander in Chief of the army will be cast as the hero of the military show. While I talked with the Prime Minister in his private residence, army officers, whom I could see through the open door into an adjoining room, listened to our conversation. He appeared to be very heavily guarded and under military surveillance. The Prime Minister said the people and particularly the army officers were demanding action and in an unguarded moment, which is common to these Thai, he added that "they might kill me if I do not follow their desires." Since the purge last November and subsequent attempts on his life, the Prime Minister has rarely shown himself in public and has his wife prepare all of his meals. I believe the military clique is waging a war of nerves on him, that this mild mannered man is in the firm grip of his own ambitious army and navy officers and that Japan looms in the background of the whole business. I said to the Prime Minister that I had heard recently on reliable authority that Japan intends to take over ultimately all of Indochina, but that she will let Thailand have the large [slice of?] Laos and perhaps a small slice of Cambodia above the southern seaboard. He replied with a smile that he would be very glad to receive Laos. I inquired, "From Japan?" He replied, "Yes, from anyone." In reply to my observation that perhaps his country would have a better chance of reclaiming territory to which it believes it is entitled upon the conclusion of the war around a con-

ference table if restraint and the determination not to use force under any circumstances could be put into practice now, he inquired if I could cite any precedents of a nation which had received territory other than by the rise [*use?*] of force. This remark is the key to the man's political philosophy. He is totalitarian. If he ever had any democratic principles, which I doubt, he has abandoned them completely. But he is only cast in the role of military dictator. A powerful group of his officers constitutes [the?] dictatorship.

I began the conversation with the Prime Minister by citing reports which have been received from officials and observers on the outside to the effect that Thailand appears to be contemplating military action in Indochina in collaboration with Japan, the circulation of pamphlets and maps in Thailand pertaining to the Thai claims, the recent clashes on the Thailand-Indochina frontier, the editorial expressions in certain Bangkok newspapers advocating the use of force if necessary. I said it appeared that an alarming situation may be developing and that it was not surprising therefore that public opinion in many countries including my own was turning its attention to Thailand and things were being said that the Thailanders did not like. I pointed out that the public would not take into consideration whether the territory desired by Thailand was small or large or whether the claim was advanced previously in the negotiations with France. There was a psychological factor in the matter which it appeared the Thailanders were overlooking, that to put it bluntly the Thailanders' "timing of the affair" was bad in my judgment, that no amount of explaining of the details would correct the impression that was forming to the effect that Thailand was about to participate with Japan in an act of aggression and that there was only one thing that would correct this impression and that was a public statement by the Prime Minister to the effect that under no circumstances would Thailand resort to force in Indochina. I suggested that in my opinion the Prime Minister had a splendid opportunity to add to his laurels as an outstanding statesman by adopting such a course of action.

The Prime Minister observed that he was faced with a popular demand for the return of the territory. I countered with the suggestion that the Prime Minister as commander of the army and political leader of his country could lead public opinion. He replied that he had always studied and then followed public opinion. I inquired if the majority of the Thai people wanted the territory in Indochina returned. He answered in the affirmative. Of course this is nonsense and no one knows it better than the Prime Minister for the overwhelming majority of these people are too poor and too illiterate to know or care anything about the territorial questions. Public opinion in Thailand is restricted to a small group of intellectuals and the army and

navy officers. I pointed out and emphasized the possibility of Thailand's involvement in hostilities through military intervention in the Indochina affair which might bring misery and misfortune to all of the Thai people which would more than counterbalance the advantages of assisting the Thailanders now residing in Indochina. The Prime Minister, rather lamely I thought, said he did not contemplate the use of force but when I asked him if that meant he would refrain from using force under any and all circumstances he avoided making a direct reply, explaining that there would not be any immediate action, which leads me to believe that the Thai action in Indochina depends entirely on Japanese plans. I inquired as to the purpose and accomplishments of the Thai military mission to Japan. He replied "Good will only".

I asked the Prime Minister for his opinion in regard to the meaning and effect of the Japanese pact with the Axis Powers. He indicated he had no comment. I then asked what his country would likely do in the event that Japan in conformity with the terms of the pact should attempt to dominate East Asia. He replied that Thailand could do nothing. In reply to my inquiry as to what he as a military leader thought of the progress and outcome of the war in Europe, the Prime Minister expressed the opinion that Great Britain could not win the war alone. The Prime Minister said he had received information from several sources that the Japanese plan to move through Indochina to Burma, cut the Burma Road supply and [isolate?] China in the southwest. This confirms information given to Ambassador Johnson by the Chinese Vice Minister of Foreign Affairs which has been reported to this Legation.

In conclusion I said to the Prime Minister that I wanted him to know that my Government in adopting its policy advocating the strict maintenance of the *status quo* in this general area is not unfriendly or unsympathetic towards Thailand, that it sincerely believes that such a policy is for the general welfare of all nations including Thailand. The Prime Minister thanked me. He had previously remarked that Great Britain seemed to be sympathetic in connection with the Thai claims in Indochina and I had replied I understood that matter and I thought I could say without fear of contradiction that regardless of any assertions by the British, the British Government and its representatives are just as much concerned over the possibility of military action on the part of Thailand in Indochina as we. (Reference is made to the Legation's telegram 94, September 27, 10 a. m.¹²) The Prime Minister smiled and indicated that he held similar opinion. He was most cordial throughout the conversation and said he would think over what I had said to him. I am sure that he and his advisers

¹² Not printed.

of the Foreign Office are greatly desirous of retaining the good will of the United States and Great Britain and they are moving slowly and through diplomatic channels with this in view. I have no illusions, however. I do not believe that the Prime Minister and his advisers make the final decisions. When the military group decrees that Thai troops shall march, they will march and Japan will provide the cue.

GRANT

756D.94/64 : Telegram

The Secretary of State to the Consul General at Batavia (Foote)

WASHINGTON, October 5, 1940—3 p. m.

Your September 14, 1 p. m., penultimate sentence. This Government perceives no warrant for any apprehension or for dissatisfaction on the part of any Netherlands authorities regarding this Government's record and policy in relation to sale of munitions to Netherlands East Indies Government. We have made careful examination of the record and it is patent that substantial orders have been filled over the past 2 years, that substantial contracts are in process of being filled, and that licenses for exports in large amounts are constantly being granted. In fact, the Netherlands Indies has been the fourth largest foreign purchaser of arms in the United States during 1940. A thorough investigation by the interdepartmental committee charged by the President with coordinating purchases of arms by foreign governments with purchases by this Government, during which all of the Netherlands and Netherlands Indies purchasing missions and many American manufacturers were questioned, has failed to reveal any cancellations of contracts for the sale of arms to the Netherlands Indies. Some misunderstanding appears to have arisen as a result of the fact that the above-mentioned committee was not able to approve a few relatively unimportant purchases which the Netherlands Indies desired to make. These were not approved because they would have interfered with our defense program.

You may in your discretion impart the substance of this to local authorities.

HULL

740.0011 Pacific War/1

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] October 5, 1940.

The British Ambassador and the Australian Minister called at their own request. The British Ambassador referred to my recent inquiry of him as to what, if anything, was being said by representatives of such countries as Australia, New Zealand, Dutch East Indies

and Singapore with regard to the nature and extent of the defensive forces of each country and what they would amount to in the aggregate. I replied that I had not suggested that my own country be in on this conference, for the reason that no purpose in that particular matter could be served, adding that the total nature and extent of these combined forces would in any event be available to this Government.

The Ambassador then suggested a conference of representatives of each government, including a naval expert of this Government, in London. I made the same reply as the above. The matter was finally left open, with my statement that it would be better for his Government to contact the experts or representatives of the above-named countries.

We then went over the recent line of discussion pertaining to the close relations between Germany, Japan and Italy with the further probability that Germany, by persuasion or threat or both, would see that Russia is kept off Japan in Asia, while Germany is causing the French Government at Vichy to agree to Japanese occupation of Indochina, et cetera. I then repeated our policy of aiding Britain all we could, while at the same time following the Far Eastern situation by a succession of words and acts, short of intending to become engaged in war in the East. The Ambassador, and so far as I observed, the Minister of Australia, were not disposed to take issue with the foregoing during the discussion.

C[ORDELL] H[ULL]

740.0011 Pacific War/2

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] October 7, 1940.

The British Ambassador, accompanied by Mr. N. M. Butler, Counselor of the British Embassy, called at his request. He brought up the question, about which we spoke recently, relating to conferences of experts or others in regard to the aggregate amount of defense forces the countries in the South Sea area, which are threatened by Japan, possess at this time,¹³ and to discuss the manner in which a common defense against possible Japanese invasion could most effectively be presented without entering into any commitments.

I replied that it would seem that the naval mission in London would have taken up this matter some time ago, and that I would inquire

¹³ On October 14 Lord Lothian sent to the Secretary of State and to President Roosevelt a statement, not printed, of the British, Australian, New Zealand and Dutch naval, military, and air forces in the Far East. It was requested that this statement be kept most secret as it was believed that the Japanese overestimated the forces available. (740.0011 Pacific War/5½)

at once whether Admiral Ghormley, who is in London at present, has participated thus far in any such discussions. I then added that, of course, these conferences should be held here or in London at as early a date as possible. The Ambassador agreed. This left the matter to be taken up promptly after hearing from London and in the light of developments there, but the location of the conferences was not determined definitely.

I told the Ambassador that the Navy had been informed of the proposed extension of air service to Singapore.

The Ambassador said that his Government did not know what might take place in connection with the opening of the Burma Road, and, therefore, it could not give him permission to return to London now. There was some repetition of our recent discussion in regard to further steps which this Government is taking in the way of preparing the fleet for any kind of activities, which need not be recited here.

The Ambassador referred to my inquiry of some days ago relating to the extent, if any, to which British business men and the British Government were carrying out a moral embargo against Japan. He proceeded to inform me that from the beginning of the war Great Britain had embargoed scrap iron. I replied that, of course, Great Britain urgently needed scrap iron since the beginning of the war.

C[ORDELL] H[ULL]

841.34546D/131

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] October 7, 1940.

Referring to my original memorandum on the British Ambassador's call on September 30, 1940, the Ambassador, as he was leaving, said that, of course, I knew that Singapore is available to the United States fleet at any time for its use. I said nothing except that I had heard some report to that effect.

C[ORDELL] H[ULL]

893.24/896 : Telegram

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

TOKYO, October 8, 1940—noon.

[Received October 8—2:24 a. m.]

955. My British colleague told me last evening that he will today inform the Foreign Minister that the Burma Road will be reopened at the expiration of the present agreement on October 17.

Sent to the Department. Repeated to Shanghai.

GREW

751G.92/54: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 8, 1940—noon.

[Received 12: 05 p. m.]

107. The Deputy Minister for Foreign Affairs informed me this morning confidentially that his Government received last night the reply from Vichy to the second Thai request for the return of the two small sections of frontier territory on the west bank of the river Mekong. The reply was a refusal to recognize the Thai claim on the basis of the treaty of 1907 between Thailand, France and Indochina¹⁴ in which the boundary between Thailand and Indochina was definitely established and agreed upon, according to Vichy. The French indicated they were ready to proceed with the negotiations with Thailand with the object of correcting the boundary lines within the river Mekong involving some islands. The Thai cabinet will consider the Vichy reply at a special meeting tomorrow morning. In reply to my inquiry as to the probable action of his Government, the Deputy Minister said he favored continuing the negotiations with Vichy but he could not say what the Cabinet would do. Foregoing repeated to Saigon, Tokyo, Chungking.

[Here follows description of government-inspired demonstration by 2,000 students in support of Thai claims on Indochina.]

GRANT

762.9411/54: Telegram

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

WASHINGTON, October 8, 1940—6 p. m.

170. Your 493, September 30, 9 a. m. I approve the tenor of your reply to the remarks of the Foreign Minister and suggest that you take occasion so to inform him, both for his and for General Chiang's information. As the Foreign Minister desired that his inquiry be transmitted by you as coming from General Chiang, I further suggest that, in your discretion, you make supplementary remarks to the Foreign Minister, or directly to General Chiang if you consider that preferable, along lines substantially as follows:

General Chiang is of course aware of the acts and utterances of this Government in recent years and of the position and attitude

¹⁴Treaty between France and Siam regulating questions connected with the Frontiers of Indochina and Siam, jurisdiction, and the position of French Asiatic subjects, signed at Bangkok, March 23, 1907; *British and Foreign State Papers*, vol. c, p. 1028.

this Government has maintained in regard to developments in the Far East. The desire of this Government to be helpful when and where appropriate and feasible, within the framework of our traditional policies including the long-standing policy of friendship, remains unchanged. We believe that the record of our acts and utterances in the past affords the best indication of the course which this country is likely to pursue in the future.

Sent to Chungking. Repeated to Peiping.

HULL

756D.94/82: Telegram

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

WASHINGTON, October 9, 1940—6 p. m.

389. Your 928, October 2, 6 p. m., continuing your 927.¹⁵

1. This Government has made no assumption that "the Japanese are completely occupied by their activities in China and Indochina." Statements made to Lord Lothian on September 19 were to the effect that, occupied as they still are in China, and taking on as they are new activities in Indochina, and with the thus existing strain upon their man power and their economic resources, the Japanese would not, in the light of naval disposals prevailing in the Pacific, be likely to embark upon a campaign against the Netherlands East Indies if they had reason to believe that such a campaign would require the sending of a large naval force and substantial landing forces.

2. We feel it desirable that you make sure that the British Ambassador or anyone else in Japan who may make references in conversation or communications with or to you to Mr. Welles' statement regarding possibility of settling disputes between Japan and the United States by amicable negotiation take into consideration the specifications contained in that statement. You will, of course, for that purpose, have in mind the proviso contained in the pertinent paragraph of Mr. Welles' statement under reference.¹⁶

3. We take full cognizance of the possibility of a Japanese attack sooner or later upon Hong Kong and Singapore. We feel, however, that the considerations of which account is given in paragraph 1 above apply also in connection with those possibilities.

HULL

¹⁵ See footnote 7, p. 161.

¹⁶ For extract from address by the Under Secretary of State on September 28 at Cleveland, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 112.

851G.24/12

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

[WASHINGTON,] October 9, 1940.

The French Ambassador called this evening to see me at his urgent request.

The Ambassador said that he had not as yet received a reply to the inquiry he had made by telegram of his Government after his last conversation with me as to the assurances the French Government could offer that any munitions which might be purchased in the United States by the authorities of Indo-China would actually be received by the French authorities in Indo-China and not seized by the Japanese.

The Ambassador said, however, that he had received another telegram which he felt it necessary to communicate to me immediately.

This telegram set forth that the French Government earnestly desired to obtain for Indo-China munitions in the United States, and even suggested that the American planes which had been destined for Siam and which had been held in Manila by orders of the United States Government be transferred to Indo-China instead.

I stated that with regard to this entire subject I had, of course, nothing whatever to say to the Ambassador until he could inform me what assurances the French Government had to offer as to the safe delivery of any munitions purchased here.

The Ambassador then went on to say that he was further instructed to say that the Italian Armistice Committee had granted permission to the French Government to transport Senegalese troops with munitions and armaments from Djibouti to Indo-China on the French ship *Esperance*. These troops, the Ambassador said, were already en route to Indo-China when the vessel was seized by the British.

The Ambassador said he was further instructed to state that the French Government had obtained permission from the German Armistice Committee to transport troops and armament from France to Indo-China either by the Cape of Good Hope or by way of the Panama Canal. The transports on which these troops would go would be accompanied by two French submarines.

The French Government desired the assistance of the United States Government in obtaining from the British Government permission for these troops to leave for Indo-China and also to obtain from the British Government the release of the *Esperance* so that the troops on board might proceed as rapidly as possible to Indo-China for defensive purposes.

I told the Ambassador that I would merely commit myself at this stage to stating that I would inquire of the British Government

through the British Ambassador what the facts might be with regard to the *Esperance* and that I would reserve any decision as to the policy which this Government might follow with regard to asking the British Government to grant the permission desired by the French Government.

I then said to the Ambassador that I would be grateful to him if he could explain to me the reason for the strange anomaly which seemed to be presented by the German and Italian Governments granting permission to the French Government to transport large numbers of troops and quantities of munitions to Indo-China, apparently for defense purposes against the Japanese, at the very moment when the German and Italian Governments had entered into a far-reaching alliance with Japan and when there was every reason to presume that the occupation of Indo-China by Japan had been undertaken only with the full consent and approval of the German and the Italian Governments.

The Ambassador stated with somewhat artificial ingenuousness that he had been asking himself that very question and that he had reached the conclusion that the permission to transport troops and munitions to Indo-China had been given because of the desire of Germany and Italy to prevent Japan from extending herself too far in Southern Asia and thus facilitating a Japanese attack upon the Netherlands East Indies which Germany desired to retain for herself.

The Ambassador asked with a good deal of emphasis that I let him have the reply of this Government as soon as might be possible since every day counted.

At the conclusion of this part of our conversation the Ambassador spent once more a considerable amount of time in emphasizing the difficulties of his own personal situation, the lack of comprehension in the United States for the patriotism and sincerity of the Petain Government, and the imperative need of the French Government to obtain food supplies from the United States.

S[UMNER] W[ELLES]

751G.92/56: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 9, 1940—9 p. m.
[Received October 10—12: 35 a. m.]

109. The Thai Cabinet today considered the latest Vichy refusal to cede to Thailand the two pieces of frontier territory west of the River Mekong and at the end of a 4-hour session adjourned without reaching a decision as to the next move, according to statement made to me this afternoon by the Deputy Minister of Foreign Affairs. In

reply to my inquiry as to the probable action of the Cabinet, the Deputy Minister said he believed the negotiations with Vichy would be continued. I elicited from him the further indication that Thailand is determined to get the territory in question but want[s] to acquire it through peaceful methods. He said his Government would likely not denounce the pending treaty of non-aggression with France but would refuse to ratify it unless Vichy agrees to return the frontier territory. Unless a special session is called, the Cabinet will not meet again until next Wednesday.

I took the occasion to reiterate to the Deputy Minister of Foreign Affairs the position of my Government in believing sincerely that the strict maintenance of the *status quo* and the determination on the part of Thailand to refrain from using force would prove to be in the interest of, and for the ultimate welfare of, Thailand. I also pointed out to him what I described as an alarming situation which seems to be developing here as the result of agitation in the form of demonstrations featured by banners advocating the use of force and newspaper editorials of the same character. I said it seemed to me, and some of my colleagues felt the same way about it, that this agitation was directly contrary to the policy which had been announced for the Thai Government by the Prime Minister. The things that were being done publicly, I thought, may result in creating a mass psychology which would defeat the very aims, as announced by the Government, for the peaceful settlement of all questions.

The French Minister informed me today that he had sent a telegram to his Government to the effect that the situation is very grave and that there will be fighting on the Thai-Indochina frontier within 6 weeks, or as soon as the wet season ends, unless the concessions requested are made to the Thai. At the same time the French Minister sent to the Thai Prime Minister a message marked "secret and urgent", copy of which he furnished me, in which he begged the Thai to examine the Vichy reply carefully "in the general light of the problem of the French Empire, menaced in its integrity at various points at the same time." One renunciation at any point whatsoever, the French Minister added in his note, would compromise the fate of the whole. He then urged that Thailand agree to proceed with the work of the mixed Mekong commission for the settlement of the boundary within the river involving some islands. The French Minister is playing for time in the hope that military action may be avoided and in this connection he expressed the opinion that the representations which I have made to the Thai officials on behalf of my Government urging the strict maintenance of the *status quo* have helped to hold the Thai in check, resulting in the continuance of the negotiations since the Thai Government is greatly desirous of retaining the good will of the United

States. He believes strongly, however, that the Thai are determined to acquire whatever the cost the two pieces of frontier territory.

Foregoing sent to Tokyo.

[Here follows section on propaganda and demonstrations regarding Thai claims on Indochina.]

GRANT

856D.6363/785

The Chargé Near the Netherlands Government in the United Kingdom (Schoenfeld) to the Secretary of State

No. 9

LONDON, October 9, 1940.

[Received November 13.]

SIR: I have the honor to report that in a conversation yesterday, Dr. C. J. I. M. Welter, Netherlands Minister for the Colonies, commented to me on the greatly rising demands for oil of the Japanese Economic Mission, headed by Mr. Kobayashi, which was now engaged in negotiations in Batavia.

By way of preface, Dr. Welter could not forbear from remarking that he did not think the United States fully appreciated the dilemma of the Dutch position. By putting pressure on Japan in the matter of oil, the United States was inevitably turning Japan's interest toward the Netherlands East Indies. The latter, without support for a strong policy from Great Britain or the United States, were forced to adjust accordingly. The tendency to reproach them for adapting themselves to the situation, he thought was "illogical."

Dr. Welter then went on to say that the Governor General in Batavia had reported that Mr. Kobayashi had frankly said that Dutch oil was a matter of life or death for Japan. Other items which figured in the discussions were secondary and even tertiary. Oil was the paramount consideration.

The Japanese, Dr. Welter continued, had originally asked for 450,000 tons of Netherlands East Indies oil over and above the 600,000 tons normally imported by Japan each year, or a total of about 1,000,000 tons annually. Later, they had raised the figure to 2,000,000 tons. Recently, they had asked for 3,150,000 tons in addition to the normal imports of 600,000 tons, or a total of 3,750,000 tons a year. They had also asked for a five-year guarantee from the Dutch Government.

Dr. Welter said that he could tell me in confidence that the Netherlands Government did not propose to accede to the latest Japanese proposals. The Netherlands East Indies produced only 7,000,000 tons of oil a year. They could not meet the Japanese requirements and preserve their other markets. If they tried to do so by increasing production, this would result in the premature exhaustion of the wells.

This was not in Japanese interest. They were accordingly making counter proposals under which they would undertake to supply a reasonable amount of oil of their own production. Supplementary amounts should be obtained from other sources,—Bahrein (Standard Oil) and elsewhere in the Middle East (Anglo-Iranian). The oil was, of course, of a different quality. Dutch companies in the Netherlands East Indies could be of assistance in refining and delivering it, provided that the higher costs were met by Japan. The proposals thus roughly outlined were under consideration by those concerned. It was his opinion that the essential thing was to gain time.

Dr. Welter added that Dutch companies had made an arrangement for the shipment of 40,000 tons of oil to Japan monthly for a year beginning August 1940 and for the shipment of two cargoes of "aviation spirit" (20,000 tons) monthly to Japan up to the end of 1940. He said that we had objected to this arrangement and that there had been some pressure through one of the oil companies in the Netherlands East Indies which was American-owned. Dutch Shell, however, had taken the position that it would not go back on its contract unless ordered by the Dutch Government to do so.

Dr. Welter said that he thought it was a mistake to object to such a limited arrangement while negotiations on the far larger and more important problem were in progress. The Dutch had had long experience in dealing with the Japanese and the essential thing was to gain time. Japan's eventual attitude would depend on the course of events. If the British showed signs of success, the Japanese would moderate their demands. If the British suffered reverses, the tendency would be in the other direction. What happened to the British was, of course, a matter of life or death for the Dutch as well.

Respectfully yours,

RUDOLF E. SCHOENFELD

711.00111 Armament Control/2495 : Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, October 10, 1940—2 p. m.

57. The Department's 54, October 4, 5 p. m. On October 9 an officer of the Department¹⁷ informed the Thai Minister that, pursuant to the needs of our national defense program, as explained to him on October 4, this Government had been obliged to take steps toward requisitioning for its own defense needs 10 North American dive bomber airplanes destined to Thailand which are now in Manila; and that the Thai Government would of course receive fair compensation

¹⁷ The Chief of the Division of Far Eastern Affairs.

for these planes. The Minister asked whether similar steps had been taken in reference to exports to other countries. The Minister was informed in reply that, as had been stated to him on October 4, this Government had had to cancel licenses previously granted for export of certain commodities. The Minister said that he would forward to his Government the information communicated to him.

HULL

856D.248/34 : Telegram

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

TOKYO, October 10, 1940—10 p. m.

[Received October 10—12: 48 p. m.]

969. My Netherlands colleague who keeps constantly in close touch with me has begged me to urge my Government to endeavor to do its utmost to fill orders from the Netherlands East Indies for war materials, especially airplanes, because defensive strength in the Indies is directly in line with the interests of the United States. I pointed out to the Minister the heavy domestic demands on American industries in connection with our own preparedness program but expressed the personal view that the American Government would not fail to give full and sympathetic consideration to the desire of the Netherlands Government.

Sent to the Department. Repeated to Batavia.

GREW

751G.92/60 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 11, 1940—8 a. m.

[Received 11: 12 p. m.]

113. The British Minister informed me late last night that he was called to the office of the Prime Minister yesterday and given a verbal reply to a message from Lord Halifax which was transmitted to the Prime Minister by the British Minister a few days ago. Lord Halifax' message, he said, was to the effect that, while the British Government still advocate the strict maintenance of the *status quo* in Indochina, in the event of the extension of Japanese control over Indochina Thailand should feel compelled to come to an agreement with the Japanese in order to protect her interests, the British Government would expect Thailand to refrain from taking any action which would be prejudicial to the interests of Great Britain in this area such as the granting of permission to Japan to establish air bases in Thailand which could be used against British possessions. The Prime Minister requested the

British Minister to inform Lord Halifax that as far as he was concerned and as long as he was in control of the Government, Thailand would respect British interests in this area and would not permit the establishment of air bases in Thailand by Japan.

The British Minister then outlined for my information the substance of the remarks of the Prime Minister who, he said, was remarkably frank throughout the conversation. The Prime Minister said he is of the opinion it is "a 200 to 1 bet" that within a year Japan will have complete control of Indochina and that such being the case Thailand must protect her national interests by "coming to terms with Japan" in order to acquire the larger territories of Laos and parts of Cambodia in Indochina which formerly belonged to Thailand. The Prime Minister added that up to the present time Thailand had made no deal with Japan and there is no military alliance. In reply to the inquiry of the British Minister as to what Thailand proposed to do about the "new order" in East Asia, the Prime Minister said he was unable to make comment now since he did not understand just what the new order means. The Prime Minister said that the only solution of the problem of East Asia is the formation of a bloc of powers consisting of Great Britain, the United States and Holland to oppose Japan. Nothing else would suffice. He said he hoped to acquire from Vichy the frontier territory on the west bank of the River Me-kong without using force.

Foregoing sent to Tokyo, Shanghai, Hong Kong.

Since this latest action of the British Government, which I have good reason to believe was prompted by the British Minister, appears to mark the climax of the British policy of appeasement in connection with Indochina, which as I have pointed out previously to the Department left us to fight alone the battle of the strict maintenance of the *status quo* in Indochina resulting in allegations in Thai official circles that the British were sympathetic and friendly and we were unsympathetic and unfriendly towards Thailand, I made the following observations to the British Minister: ^{17a}

"Sir Josiah, you have been here a long time, you and your Government have enormous influence here. I believe that you underrate your ability to influence the Thai leaders in the right direction in this matter which is of such great importance to your country and mine and to Thailand. You could give them sound advice which should have great weight. In my judgment the British admission to the Thai, that it may become necessary for Thailand to come to an agreement with Japan concerning Indochina, will only encourage such action. I believe that Lord Halifax has made a serious mistake and that you British will live to regret it. I fear that you are planning another Munich. If the Thai come to terms with the Japanese, as the Prime

^{17a} Sir Josiah Crosby.

Minister suggests, that implies a deal between them which means that Thailand will give something in return for what she gets from Japan and that probably means ultimately the domination of Thailand by Japan, the establishment of a puppet government by the Japanese, and in such case, I ask, of what value is the Prime Minister's promise not to take any action that would be prejudicial to British interests in this area? The promise, it seems to me, is likely to prove worthless and it will not be long before you will find Japan moving on into Malaya and Singapore and the East Indies. I recall Manchukuo. I believe we might accomplish something here in Thailand to prevent Japanese aggression, your Government and mine, if we could stand firm and shoulder to shoulder in the effort to keep Thailand out of this affair. I do not believe we should give up one of the front line trenches until it becomes absolutely necessary to abandon it."

In reply the British Minister said that while he understood and appreciated my viewpoint he must be realistic, that it is imperative that Great Britain keep her friendship with Thailand because of vital interests in close proximity to Thailand which is not the case with the United States. He said that when the Thai Prime Minister had pointed out that the only solution was a bloc of powers consisting of Great Britain, the United States and Holland capable of using force, if necessary, against Japan, he was floored. He had no answer since his country could do nothing out here now because of the struggle with Germany. Thailand wanted protection and was entitled to it if she was to stand up against Japan. I interrupted to observe that Thailand, it seemed to me, since she is an independent country, was also obligated to make a friend of Japan. In connection with my reference to Manchukuo the British Minister said his Government had made many blunders.

GRANT

751G.94/220 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, October 11, 1940—7 p. m.

[Received October 12—12:22 p. m.]

13. Reference to my telegram No. 4, September 30, 6 [4[?]] p. m.,¹⁸ paragraphs 3, 4 and 5.

1. This morning a high official described the present situation as follows: The Governor General and the majority of Government General officials show no inclination to disregard Vichy's instructions even though these favor the Japanese and are adverse to American and British interests. In this connection he mentioned anti-British prop-

¹⁸ Not printed.

aganda in the press which he said emanated from the highest circles and felt that anti-American propaganda was not an improbable possibility. There is, however, a growing feeling among the middle classes and particularly the young military officers that Indochina must make a stand against the Japanese even if it means separation from Vichy. In this connection he hoped that the newly appointed generals who are to arrive from France will be prevented from arriving as that will strengthen the pro-Vichy party.

2. He regretted the unquestionable loss of Tongking to the Japanese but he said that the United States, even if it had been possible, would have been ill-advised to have sent airplanes and munitions to Indochina as there was no guarantee that these would not have fallen into Japanese hands. Even now it might be ill-advised unless, and until, a part of the American fleet is at Singapore or in nearby waters. He stressed his opinion that there would not be a movement in Indochina contrary to the present policy until a part of the American fleet was in this area, followed by supplies of planes and munitions of war.

3. He remarked that recent developments were as follows: General conditions in Tongking are quiet but the Japanese are working to consolidate their position before making demands against other parts of Indochina, Camranh Bay and airport facilities in the South which can be used eventually against Manila and Singapore. The Japanese have prepared a puppet ruler for Annam and at the right time the present Emperor will be deposed. To facilitate this plan the Japanese are enlarging their propaganda activities in Tongking. He confirmed reports that the Japanese are again active in the Spratley Islands, possibly constructing some sort of base. He stated that the Thai question is becoming more urgent and that a Thai attack is not unexpected especially if Japanese demands are being urged at the moment. He qualified his estimate of Japanese activity in Indochina by possible British-Japanese complications as a result of the reopening of the Burma Road.

4. I believe that the official in question is somewhat over-optimistic as to the power of resistance against the Japanese even with airplanes and munitions inasmuch as the native troops are not to be trusted to any great extent and the army organization is lacking in almost every essential. There is an appreciable anti-Vichy movement but that it is capable of turning the tide in Indochina is probably only wishful thinking.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Canton.

REED

751G.92/59: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 11, 1940—9 p. m.

[Received October 11—6: 13 p. m.]

115. The French Minister informed me today in the strictest confidence that the Prime Minister whom he saw yesterday informed him that the German Minister¹⁹ had approached him yesterday with the suggestion that Thailand should continue the agitation with Vichy for the return of the frontier territory west of the river Mekong and had indicated Germany would see to it that Thailand's request for this territory is granted ultimately. There was an implication, the Prime Minister confided to the French Minister, that Germany would expect Thailand to join the Axis in return for the favor.

The French Minister said also that the Thai Government within a few days would make another request of Vichy for the return of the frontier territory and that the communication, which will be unpromising, will contain details of the alleged justice of the Thai claim which is designed for world consumption.

GRANT

751G.92/61: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 12, 1940—3 p. m.

[Received October 12—11: 45 a. m.]

117. Referring to the Legation's telegram number 103, October 4, 11 p. m., in which I expressed the opinion that the Prime Minister is not the real master in the present political situation, there is increasing evidence to the effect that a powerful inner group, bent upon forcing Thailand into war if necessary in order to gain its objectives, is carrying on an enormous propaganda in direct opposition to the Prime Minister and holds the whip hand in the Government. It would not be surprising to see the Prime Minister forced from office together with the liberal members of the Government unless they agree to carry through the plans of this group. An indication of the Prime Minister's plight has been brought to my attention by the Deputy Minister of Foreign Affairs who said the Prime Minister had requested him to inquire of me if I would have any objection to the Government issuing a statement to the public setting forth certain views which I have expressed to members of the Government in connection with the Thai claims in Indochina in which I emphasized the importance of the

¹⁹ Wilhelm Thomas.

strict maintenance of the *status quo* and advocated abstention of force by Thailand to the end that a disturbed situation in the Far East might not become more disturbed and Thailand drawn into hostilities.

I pointed out to the Deputy Minister that while I desired to cooperate in every way possible with the Prime Minister and appreciated the suggestion made it was a matter I would want to consider carefully, before giving him a definite reply since it was not in line with usual diplomatic procedure.

Personal attention of the Secretary. I believe it might be helpful at this critical juncture, with Thailand apparently at the parting of the ways and the Prime Minister greatly desirous of retaining the good will of the United States, if the President could make a direct appeal to the Prime Minister immediately by telegraph urging the importance of the strict maintenance of the *status quo* from the standpoint of the welfare of Thailand and abstention from the use of force even for territory which she sincerely believes is hers by right of previous possession, recalling the long friendship existing between the two countries and the desire to maintain such relationship.

Please inform the Legation of the decision.

GRANT

751G.92/62 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 12, 1940—7 p. m.

[Received October 13—5 a. m.]

118. Supplementing the Legation's telegram 115, October 11, 9 p. m., I have it from most reliable sources that Germany and Japan have both made overtures to Thailand apparently by agreement promising Thailand not only the frontier territory west of the river Mekong which has been requested of Vichy but the territories of Laos and parts of Cambodia whenever the Thai troops begin to move into Indochina. Germany, it is understood, will handle Vichy for Thailand. The design is to draw [Thailand] into the new Japanese-Axis orbit against Great Britain and the United States.

The British Minister has informed me that in view of this development he plans to send a message to the Prime Minister Monday to the effect that, if such a plan is accepted by Thailand, his Government will be compelled to revise its attitude in regard to an agreement between Thailand and Japan, which was outlined in the Legation's telegram 113, October 11, 8 a. m.

Sent to Tokyo.

GRANT

740.0011 Pacific War/23

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

[WASHINGTON,] October 14, 1940.

The Minister Counselor of the Netherlands Legation ²⁰ called on me this afternoon at his request. He began the conversation with casual remarks regarding the international situation. He then said that he had come to inform me, under instructions, that the negotiations at Batavia were moving along slowly and that his compatriots fully intend, in the event of threats or use of force by the Japanese, to resist with force. I said that I appreciated our being given the information thus imparted. I went on to remark that I had noted day by day recently evidence of continued and extensive licensing of exports of military equipment and supplies for the Netherlands East Indies. The Minister Counselor said that he also had noted that export of 320 tanks had been authorized and that other items also have been authorized. I said that I had recently again gone over the record and had noted that the total over the past two or three years was very substantial. The Minister Counselor replied that it required a good deal of material to equip an army of one hundred thousand men and that they had begun their efforts at preparedness very late. I replied that it was my impression that they had been at it for several years, at least five years.

S[TANLEY] K. H[ORNBECK]

856D.248/34: Telegram

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

WASHINGTON, October 14, 1940—7 p. m.

398. Your no. 969, October 10, 10 p. m. The Netherlands Indies has been the fourth largest foreign purchaser of arms in the United States during 1940. Further large quantities of arms ordered by the Netherlands Indies Government are now in process of manufacture. Additional contracts for substantial quantities are now being negotiated. Everything that this Government could properly do to facilitate the purchase of arms by that Government has been done. We are continuing to assist the purchasing missions.²¹

²⁰ Baron C. G. W. H. van Boetzelaer van Oosterhout.

²¹ The Department's telegram No. 408, October 18, 5 p. m., informed the Embassy in Japan of the issuance of a license to export a large number of tanks to the Netherlands East Indies (856D.248/34).

Some misunderstanding of our policy appears to have arisen in the Netherlands Indies as a result of the fact that this Government was not in a position to approve a few relatively unimportant purchases which the Netherlands Indies desired to make, but which would have interfered with our own defense program. Press despatches from Batavia which completely distorted the facts were given wide publicity here, thereby increasing the misunderstanding. Steps have been taken, however, to eradicate any erroneous conceptions in regard to the facts and the policy of this Government in the minds of the Netherlands and Netherlands Indies authorities.

HULL

740.0011 Pacific War/4

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] October 16, 1940.

The Minister of Australia called at his request. He said that he wanted us to know that if any nation should become involved in war with Japan, Australia would be in that war immediately with all her strength.

He inquired about the idea of his Government sending a naval expert here for a conference in regard to our respective naval forces, et cetera, with no purpose to enter into any agreement. I suggested that since he was going to talk with the President within a few minutes he might take that matter up with him. (I later talked with the President and we agreed that it would be entirely all right if Australia should desire to send a naval attaché to this country, even though he might not remain more than two or three weeks.)

The Minister then asked whether he should inquire of the President as to naval plans relating to the South Sea area. I repeated my replies to him and to Ambassador Lothian on the general subject of the future plans and operation policies in the Pacific area by pointing to the succession of progressive acts and utterances thus far on the part of the United States and concluding with the statement that we are on a week to week and at times possibly a day to day basis; that the matter may not be under our control in some respects; and that the Minister and his Government must themselves forecast this matter in the light of our policies up to this time, the last of our acts being the calling back of American citizens from the Far East.²² I remarked that this was a far more valuable step than the one the British Ambassador had inquired about in relation to the possible sending of a good will mission to Australia. To this the Minister agreed.

C[ORDELL] H[ULL]

²² See pp. 930 ff.

711.90/58a : Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, October 16, 1940—7 p. m.

66. Your 117, October 12, 3 p. m.

1. Department suggests that you inform the Deputy Minister for Foreign Affairs that you perceive no objection to the inclusion in a proposed public statement by the Thai Government of a reference to the communication to that Government of the statement made by the Secretary of State on July 16, 1937,²³ and of a reference to the Secretary of State's public statements of April 17,²⁴ May 11,²⁵ and September 4, 1940²⁶ in regard to the question of the *status quo* in the Pacific area, but that you consider that it would be inappropriate to make reference in such public statement to views which were expressed by you orally and informally to officials of the Thai Government in regard to the matter under reference.

2. We have carefully considered the suggestion contained in the third paragraph of your telegram under reference and have concluded that the considerations contra outweigh those pro.

HULL

740.0011 Pacific War/22

*The Director of Naval Intelligence (Anderson) to the Chief of Naval Operations (Stark)*²⁷

Op-16-F-2

WASHINGTON, October 16, 1940.

Subject: Japanese Plans to Seize the Dutch East Indies.

1. Highly reliable information has been received that commencing about 26 September and continuing until the present time, the Japanese Foreign Office is being advised by their Ambassadors in the United States, Great Britain and by the heads of their Missions in the Dutch East Indies, to take steps to effect the military seizure of the Dutch East Indies at the earliest opportunity.

2. It is particularly noteworthy that Ambassador Horinouchi, at Washington, has advised his government that the United States is incapable of taking action at the present time to prevent Japanese seizure of the Dutch possessions in the Far East and that no time should be lost in effecting such a seizure. The Japanese Consul General at Batavia has on two recent occasions urged the early seizure of the

²³ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 325.²⁴ *Ibid.*, vol. II, p. 281.²⁵ *Ibid.*, p. 285.²⁶ Department of State *Bulletin*, September 7, 1940, p. 196.²⁷ Copy transmitted to the Department; original sent to President Roosevelt's Naval Aide.

Dutch possessions by Japan and this advice is echoed by the diplomatic head of the Japanese Economic Mission that is now in the East Indies. Within the last few days the Japanese Ambassador at London has added his advice to those urging early action to seize the Dutch East Indies.

W. S. ANDERSON

390.1115A/57 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 17, 1940—6 p. m.
[Received October 17—1:30 p. m.]

125. In view of rumors concerning evacuation of Americans from the Far East, the state of political tension here which at any moment may result in open antagonism toward Americans as a result of our policy of the strict maintenance of the *status quo* in Indochina and the recent embargo on airplanes purchased by Thailand, and the effect of the evacuation of the family of the representative of the Standard-Vacuum Oil Company in Bangkok, I would appreciate receiving from the Department telegraphic advice in regard to the policy to be adopted in Thailand in regard to American citizens who total approximately 175 including children. The majority of these are missionaries. Meanwhile I am having informal conversations with a small group of representative American citizens for the purpose of making preliminary plans for a possible emergency. The feeling against the United States because of our Indochina policy which runs counter to Thai territorial aspirations and especially because of the stopping of the airplanes at Manila is growing.

GRANT

762.9411/131 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, October 18, 1940—3 p. m.
[Received October 18—9:34 a. m.]

The only developments in the situation since my telegram of October 11, 3 p. m.²⁸ are as follows:

1. The discussions during the past week were confined to the German-Italian-Japanese pact and resulted in a statement to the press to the effect that the tripartite agreement and its possible effect on the Netherlands Indies had been discussed. The following statement by the Japanese delegation was included therein: "In spite of the tripartite treaty recently concluded among Japan, Germany and Italy the

²⁸ Not printed.

strong desire of Japan for the maintenance and promotion of the friendly relations between Japan and the Netherlands Indies is not affected in the least. All what is wished for by Japan is co-existence and co-prosperity with neighboring countries". Van Mook told me in confidence that Kobayashi had said that if Germany appeared to be losing the war Japan would go to her assistance whereupon Van Mook replied that the conference might as well conclude immediately. Kobayashi then requested a personal and intimate talk with Van Mook. The result of that conversation was the statement given to the press.

2. The Japanese have not replied to the oil companies' memorandum and the American representatives thereof are considering returning to the United States since they are of the opinion that the negotiations will probably drag on indefinitely unless they are terminated abruptly by the Netherlands delegation. The local authorities are more optimistic than they have been at any time subsequent to May 10.

Repeated to Tokyo.

FOOTE

740.0011 Pacific War/15

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

[WASHINGTON,] October 18, 1940.

The British Chargé d'Affaires called to see me at his request.

I told Mr. Butler in reply to the communication which he had made to me in our last interview concerning the desirability of Dutch, Australian, British and American staff conversations, that the Secretary of State had already said to Lord Lothian that in the judgment of this Government it was preferable at this time to limit these conversations strictly to an exchange of information and that this Government was not in a position to make any implied or direct commitment with regard to the course which it would pursue in the Far East in the realm of military operations.

S[UMNER] W[ELLES]

711.00111 Armament Control/2503a: Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, October 19, 1940—2 p. m.

69. On October 19 an officer of the Department informed the Thai Minister that this Government had found it necessary, because of defense needs of this country, to revoke the licenses for export to Thailand of six single-seat North American fighters as well as for

spare parts for the planes. The Thai Minister called the previous day for the purpose of discussing this general matter.²⁹

HULL

711.90/59 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 19, 1940—11 p. m.

[Received October 20—10: 23 a. m.]

133. Referring to the Department's telegram 66, October 16, 7 p. m. I presented today to the Deputy Minister of Foreign Affairs copies of the several statements of the Secretary mentioned therein in regard to the policy of the United States Government in East Asia. The Deputy Minister made no comment other than to point out that the statements make no specific reference to Thailand. This remark confirms me in the opinion which was indicated in my telegram 117, October 12, 3 p. m. I am convinced that a specific statement relating to Thailand's position from either the President to the Prime Minister or from the Secretary to the Prime Minister as Minister of Foreign Affairs would be helpful at this particular time when Thailand seems to be wavering between going along with old friends or joining up with the Japanese-Axis group. There is a strange feeling here that the United States Government is unsympathetic and unfriendly to Thailand as the result of its policy advocating the strict maintenance of the *status quo* and abstention from force and recent embargoes on airplanes purchased by Thailand which is not the case, of course. Only a specific statement relating to Thailand addressed to the Thai government can be helpful in correcting this impression, in my judgment. I hope my suggestion will be given further consideration.

GRANT

740.0011 Pacific War/32

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

[WASHINGTON,] October 21, 1940.

Mr. Butler called at his request. He referred to conversations which had been held on the subject of possible British, American and Dutch cooperation in the field of Far Eastern policy with reference especially to the making of tentative "war plans" in relation to certain defense measures. He read to me parts of a telegram in which the

²⁹ Negotiations with the Thai Minister having failed to effect purchase of the airplanes, the War Department decided to requisition them and payment was authorized in September, 1941 (711.00111 Lic. North American Aviation, Inc./70, 73).

Foreign Office stated that they intend to have a conference at Singapore at which they hope to have a Dutch representation and would like to have an American representation. This conference is to begin on October 22 and they would welcome the presence of an American representative about a week later. They hope that the United States will exert some influence with regard to the formulation of the Dutch attitude.

Mr. Butler said that he understood clearly the position which this Government has taken in regard to this matter and that he did not want to press anything upon us. He said that he therefore was merely communicating what his Government had said. He said that he would venture to offer, on his own part, a suggestion, namely, that we might be willing to have our Consul General at Singapore participate in the conference to be held there in the capacity of an "observer".

I said that I would report upward what Mr. Butler had said.³⁰

S[TANLEY] K. H[ORNBECK] ✓

751G.92/77 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 21, 1940—10 p. m.

[Received October 22—3:10 a. m.]

136. Referring to the Legation's No. 135, October 21, 7 p. m.³¹ outlining the Prime Minister's broadcast last night on the Indochina situation, it is my judgment that there is now no longer any doubt that the present Government, which, as indicated in previous telegrams, is dominated by a powerful military clique which is linked with the Japanese and encouraged by the Germans, has adopted a definite course of action which contemplates the use of military force if necessary in order to realize its territorial aspirations in Indochina. Luscious bait of territorial acquisition at an alleged small cost to Thailand has been successfully dangled before the eyes of the ambitious leaders of this peaceful country and, as discretion and common sense have been thrown to the winds, the handful of Liberals led by Luang Pradist, Minister of Finance, have been pushed clear off the boards and a vacillating Prime Minister has taken the militant leadership at the behest of stronger men.

The Prime Minister is now out in the open with the program. He has declared that Thailand will not take one step backward and is bound to secure her objective. He then proceeds to outline the requirements of the nation at war, states that French control cannot last

³⁰ Notation on October 26 by the Secretary of State: "Consul could report without acting as observer. C. H."

³¹ Not printed.

long in Indochina and finally that the Siamese brethren in Cambodia and in Laos territories and also the Annamese will regain their independence and those in Cambodia and Laos will live again under the Thai King and constitution. He also resorts to the most dangerous sort of demagoguery which seems to be thoroughly in line with the Japanese programs of Asia for the Asiatic, in referring to the French as white, eating bread and meat and living in towns, while the Thai brethren are yellow, live in the jungle and eat rice and curry.

The speech was not written even in part by the Prime Minister, is belligerent and smells strongly of Tokyo. The matter of the two bits of frontier territory in Indochina is, as I have thought all along, only incidental, the entering wedge from the west in the long range Japanese plan to bring about the complete break up of Indochina and the involvement and subsequent control of Thailand which is in turn only a phase of the ultimate program of the Japanese sweep southward, abetted by Germany in furtherance of its battle with Great Britain. Germany is winning this war, Great Britain is destined to be beaten, the United States is impotent in the Far East and Japan is irresistible, in the eyes of the Prime Minister and his Thai prompters.

GRANT

740.0011 Pacific War/7a : Telegram

The Secretary of State to the Consul General at Batavia (Foote)

WASHINGTON, October 22, 1940—7 p. m.

It has been reported to the Department²² that the Japanese representatives at Batavia, in the negotiations with the Netherlands authorities, have demanded that Japanese troops be sent to the Indies to guard petroleum wells which are to be operated by Dutch and Japanese interests jointly.

Please telegraph any information you may be able discreetly to ascertain in regard to the facts.

HULL

893.24/922 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, October 23, 1940—9 a. m.

[Received October 23—8:52 a. m.]

19. I am now informed that permits for re-exportation to Rangoon have been revoked by order of the Government General. This appears to be a direct consequence of the opening of the Burma Road

²² Report from Chinese Ministry for Foreign Affairs given in telegram No. 525, October 18, 11 a. m., from the Ambassador in China, not printed.

and of Japanese pressure to prevent in so far as possible the transfer to Rangoon of supplies for the Chinese Government. It is remarked that this action as well as the action taken yesterday against the cargo of the United States Far Eastern Trading Corporation closely followed the arrival of the Japanese Economic Mission at Hanoi.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

751G.92/70

The Department of State to the British Embassy

The Department of State acknowledges with appreciation the British Embassy's memorandum of October 17, 1940,³³ containing a detailed statement of the views of the British Government in regard to relations between Thailand and Indochina.

The Department of State is gratified to note that the British Government has continued to express to the Thai Government opposition to any attempt to change the *status quo* in Indochina by force. The American Government for its part has consistently endeavored to impress upon the Thai Government the advantage of refraining from any action involving alteration of the *status quo* other than through peaceful means.

WASHINGTON, October 23, 1940.

390.1115A/57: Telegram

The Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, October 23, 1940—5 p. m.

70. Your 125, October 17, 6 p. m.

1. For your information. In view of the abnormal situation which continues in the Far East, the Department is taking, as it has heretofore taken in the Far East and in different parts of Europe, precautionary steps for the safety of American citizens by suggesting that especially women and children and men who are not detained by essential or urgent considerations consider coming out of various disturbed areas. Similarly the Department is suggesting that persons of the categories mentioned now in the United States consider postponing their return to certain regions of the Far East. The foregoing applies to Japan, China, Hong Kong, Indochina, Manchuria, Kwantung Leased Territory, Korea, and Formosa, but not to Thailand.

³³ Not printed, but see telegram No. 113, October 11, 8 a. m., from the Minister in Thailand, p. 177.

2. The Department does not contemplate at this time extending to Thailand the procedure set forth in paragraph 1 above. However, if you consider that circumstances so warrant, you may, in your discretion, quietly and discreetly bring the contents of paragraph 1 above to the attention of American inquirers as a matter of information in order to ensure that American citizens of the categories mentioned might have that information as of possible assistance to them in reaching their own decisions.

3. In order that this instruction be not misconstrued in any quarter, it is desired that special effort be made to avoid any publicity in regard thereto and that endeavor be made to preclude the reading into it of any sensational implications. We do not, of course, wish to create in the minds of anyone any unwarranted impression that we consider Thailand to be unsafe.

4. The Department of course desires that you continue to inform it of significant developments relating to the question of the safety of American citizens in Thailand.

HULL

751G.94/234 : Telegram

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

TOKYO, October 24, 1940—noon.

[Received October 24—3:45 a. m.]

1042. I have just been apprised by my British colleague that he has received information from a reportedly reliable source in Singapore, to the effect that the Japanese are already negotiating with the French for the use of Camranh Bay for an advance naval base. This information is understood to have been obtained indirectly from the chief of the Japanese naval mission in Indochina and to have been confirmed by an official of the Indochina Government.

GREW

740.0011 Pacific War/8 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, October 24, 1940—2 p. m.

[Received October 24—10 a. m.]

Reference is made to the Department's telegram dated October 22, 7 p. m. I was able discreetly and unofficially to obtain the desired information last night: The head of Netherlands delegation said that the Japanese have not made any such demands and that if they should do so the negotiations would be broken off immediately. The nearest

approach in that direction up to the present time was an informal request from the Japanese delegation for permission for certain of their personnel to inspect the oil fields. The request was refused without hesitation and did not arise again. The only developments in the situation since my telegram of October 21, 3 p. m.,³⁴ was a note in which the Japanese delegation said that the offers of the oil companies were widely divergent both in quantities and qualities from Japan's needs and "the Japanese delegation would be much obliged if the Netherlands delegation are good enough to do their utmost, in the spirit of mutual welfare, to comply with the Japanese proposals by any means, like shifting of trade route, etc. The Japanese delegation have the pleasure to add that Japan has also a very big interest in exploitation of oil wells and that the Netherlands policy on allocating spheres of interest for existing companies are hardly satisfactory for Japan. The Japanese delegation are very much desirous to acquire rights of access to the territories now in exploration or exploitation as well as to the Government reserves."

There is no indication as to what reply will be made. I can only say that the situation is fraught with dangerous possibilities.

FOOTE

740.0011 Pacific War/10: Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, October 25, 1940—4 p. m.

[Received October 25—9:25 a. m.]

Reference is made to my telegram of October 24, 2 p. m. Because of widely circulated erroneous reports concerning the oil negotiations in progress at Batavia and especially because of a Reuter despatch to the effect that the situation is something of a mystery in Washington "because of the lack of reliable information", I wish to assure the Department that I am in constant touch with both Kay and the Netherland delegation, that all developments in the situation thus far have been reported and that I shall not fail to keep the Department informed of all future developments. The fact that the negotiations are proceeding so slowly as to be virtually in a state of suspended animation is apt to cause the circulation of further similar stories.

FOOTE

³⁴ Not printed.

751G.94/253

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

No. 5083

TOKYO, October 25, 1940.
[Received November 25.]

SIR: I have the honor to refer to telegram No. 501, October 4, noon [1 p. m.], from the Embassy at Chungking to the Department,³⁵ conveying information regarding a report that Japan's primary intention in invading Indochina was to secure a base for an attack on Malaya, and that this move was part of a German-inspired plan involving attacks within the immediate future on Singapore, Gibraltar, and the Suez Canal. In this relation there are transmitted herewith copies of paraphrases of telegrams furnished to me by my British colleague as follows:³⁶ a telegram from the British Embassy at Chungking to London dated October 5, and one sent from the British Embassy in Tokyo to London dated October 10, reporting the same information; * and also a further telegram from Tokyo to London dated October 14 expressing Sir Robert Craigie's opinion that the Japanese will not take action against Singapore at once, and urging that immediately after the forthcoming election in the United States steps be taken to make clear to the Japanese any American intention to assist Great Britain.

Respectfully yours,

JOSEPH C. GREW

893.24/927: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, October 26, 1940—4 p. m.
[Received 6:40 p. m.]

23. The Secretary General this morning confirmed that the loading of cargo at Haiphong for shipment to foreign ports is prohibited for time being and until an investigation is made of the nature and ownership of the cargo. He explained that the discovery of gas masks on the *Sikiang* (the vessel chartered by the United States Far Eastern Trading Corporation) has caused the Japanese to demand that "Chinese merchandise" be prohibited re-exportation. I pointed out that the Standard-Vacuum Oil Company and the Texas Company

* Not printed.

³⁵ None printed.

³⁶ A telegram dated October 9 sent to London by the British Embassy in Washington quoting a message received by T. V. Soong from Chiang Kai-shek conveying the same information regarding Japanese intentions is not transmitted herewith, inasmuch as it contains indication that it has already been shown to the Department. [Footnote in the original; for Dr. Soong's mission to Washington, see pp. 663-715, *passim*.]

were now loading petroleum products for which the Government General had already authorized re-exportation to Hong Kong, that similar permits have been granted to other American companies (Du Pont, et cetera) for re-exportation of goods the title to which had never passed to the Chinese purchasers and I emphasized that the above shipments could not be classified as "Chinese merchandise". The Secretary General, after consulting other officials, regretted that he could not give me an answer until later and after he had consulted the Japanese mission. I stressed the matter as being urgent, that the goods in question were American property and that there should be the least possible delay in rescinding the prohibition. During the conversation I spoke only of the above-mentioned companies and refrained from any mention of the affairs of the United States Far Eastern Trading Corporation.

It is apparent that the Japanese seized upon the gas masks incident to tighten their control of Haiphong and strengthen their position vis-à-vis the Government General which must now defer to a large extent to Japanese desires. It is understood that the Japanese protest to Vichy caused the cessation of British vessels and airplanes calling at Indochinese ports. It is possible that the present difficulty will be settled satisfactorily but it is fairly certain that conditions will become more onerous and the Japanese will assume greater control of Tongking affairs to the detriment of American and British interests.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

893.24/928 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, October 26, 1940—7 p. m.

[Received October 26—3 : 26 p. m.]

24. My telegram No. 23, today's date, 4 p. m. I have just been informed by the office of the Secretary General that at this time there is no possibility of rescinding the prohibition against the re-exportation of any merchandise which was at any time in transit to China, including petroleum goods. I presume that this decision was reached after consultation with the Japanese mission, inasmuch as the Secretary General stated this morning that he would do so.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

711.00111 Regis. Lic./2623

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

[WASHINGTON,] October 26, 1940.

Reference Co's³⁷ question whether French Indochina should, for the purpose of the control of exports of war materials from the United States, be considered as occupied by Japanese forces.

Japanese armed forces control the forts at Doson (at the entrance of the Haiphong harbor). They have about 600 men in Hanoi and about 1,200 troops at the airport in the vicinity of Hanoi. They also control the northern end of the railway lying between Hanoi and Langson. It is understood that bombing and pursuit planes are taking off daily from the airport at Hanoi and are proceeding toward Kunming. Under these circumstances the conclusion cannot be avoided that the Japanese forces in French Indochina are in position to exert effective pressure upon the Government of French Indochina at Hanoi.

Although there are now no Japanese troops in French Indochina south of the Haiphong-Hanoi area, the situation in central and southern French Indochina cannot but to some extent be affected by the circumstance that the Government which controls that area is vulnerable to pressure from the Japanese and, in an emergency, might also be coerced by the Government at Vichy under German pressure into pro-Japanese action.

On the other hand, this Government recently stopped the shipment of war materials to Thailand because of the possibility that such materials might be used by the Thai forces (in possible cooperation with the Japanese) against French Indochina. There is the possibility that the cutting off of the shipment from the United States of all war materials to French Indochina might tend further to discourage the already discouraged Government of that country in its relations with Thailand.

In connection with the foregoing there should be borne in mind the fact that Mr. Welles has not yet received a reply from the French Ambassador to the question whether the French authorities could offer any practical assurance that war materials shipped from the United States to French Indochina would not fall into the hands of the Japanese.

All things considered, and pending further clarification of the situation in French Indochina, it is suggested that no war materials be licensed for export to the northern part of French Indochina (through

³⁷ Division of Controls.

the port of Haiphong) but that for the present, unimportant and small shipments of war materials continue to be licensed for export to French Indochina through the port of Saigon which is the point of entry into the southern part of French Indochina.

Since this memorandum was written, the developments in connection with Franco-German relations which are taking place³⁸ suggest the advisability of deferring action upon applications for licenses for a few days pending a clarification of the outcome of the developments under reference.

M[AXWELL] M. H[AMILTON]

751G.94/237: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 30, 1940—1 p. m.

[Received 2:05 p. m.]

145. The French Minister has informed me quite confidentially of the results of his conversations this week with the Prime Minister and with the Deputy Minister of Defense who headed the Thai military mission to Japan. He said the Thai leaders indicated they are convinced that the Japanese are already taking preliminary steps to take over control of Indochina and that the achievement will not be difficult since the natives will not fight the Japanese with the 24,000 French soldiers in Indochina. The Deputy Minister of Defense said that the Japanese had indicated to him in Tokyo that Thailand could have what it wants in Indochina except the coast countries which the Japanese propose to control but that in such event Thai must play with the Japanese. The Deputy Minister denied that any agreements had been signed with Japan. It was further indicated that the Japanese are particularly interested in the port of Ream on the Gulf of Siam as a naval base and Cape Saint Jacques, south of Saigon. The Prime Minister said that the attitude of the United States on the Indochina affair was generally good but very severe on the present Thai Government and that the British attitude was good and friendly. The French Minister is still of the opinion that the Thai military occupation of portions of Indochina will take place at the end of the rainy season or around December 1.

GRANT

³⁸ See telegram No. 3537, October 26, from the Chargé in the United Kingdom, and following documents in vol. II in section under France entitled "Maintenance of Relations by the United States with the French Government at Vichy."

740.0011 Pacific War/32

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

[WASHINGTON,] October 30, 1940.

In accordance with the Secretary's suggestion,³⁹ and after consulting him in confirmation, I informed Mr. Butler that we would be very glad to have our Consul General at Singapore given by the British authorities there any information regarding the proceedings which they would like to have communicated to us: we would not wish to have the Consul General participate in the conference.

At the same time I asked Mr. Butler whether he had been informed of the fact that the United States Navy has sent an officer to Singapore for the purpose of keeping in touch with the proceedings. Mr. Butler said that he had been informed of that. I said that I supposed we might consider that this would take care substantially of what the British Foreign Office had suggested. Mr. Butler replied that it so seemed to him.

S[TANLEY] K. H[ORNBECK]

740.0011 Pacific War/8: Telegram

The Secretary of State to the Consul General at Batavia (Foote)

WASHINGTON, October 30, 1940—4 p. m.

Your October 24, 2 p. m. The Department has noted your reference to a communication from the Japanese delegation (presumably to the Netherlands delegation) in which it is asserted that the offers of the oil companies are widely divergent both in quantity and quality from Japan's needs and in which it is requested that the Netherlands delegation comply with the Japanese proposals. Is this communication in any way inconsistent with Mukai's acceptance on October 19, reported in your October 21, 3 p. m.,⁴⁰ of the quantities which the oil companies offered? Please clarify.

HULL

740.0011 Pacific War/17: Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, October 31, 1940—3 p. m.

[Received October 31—9:02 a. m.]

1. Van Mook told me this morning that he had definite official information that Japan had demanded that all rubber, metals, metal

³⁹ See footnote 30, p. 189.

⁴⁰ Not printed.

ores, salt and phosphates produced in French Indochina during the next few months, including available stocks, be exported to Japan only; that special consideration be given by the French Indochinese Government to such matters as export taxes, transportation, et cetera; and that large quantities of rice be sold to Japan at low prices. He added that he would be pleased if this information could leak out to the press in Washington provided that this can be done without divulging the source of information.

2. There have been no new developments in the negotiations here except that the Netherlands banks in Japan have reported confidentially that Japan will probably endeavor to arrange a guilder-yen exchange agreement free from all dollar influences although no move in that direction has been made here by the Japanese delegation.

3. No suggestions have been made by the Japanese concerning an agenda of the conference and the Netherlands authorities feel that the reason is because the Japanese delegates do not know what steps should be taken next.

4. Reference is made to the Department's undated [*unnumbered?*] telegram of October 30. There is no inconsistency between Mukai's acceptance of the oil offered and the communication referred to. After Mukai's acceptance the Japanese delegation in effect requested the Netherlands delegation to increase the quantities and qualities if possible.

FOOTE

711.00111 Armament Control/2509: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, October 31, 1940—5 p. m.

[Received October 31—1:36 p. m.]

148. The Deputy Minister of Foreign Affairs in reply to an inquiry today informed me that his Government has purchased more airplanes from Japan than heretofore since the stopping at Manila of the airplanes purchased by Thailand in the United States. I called to the attention of the Deputy Minister a statement alleged to have been made by Prince Varnvaidya, adviser to the Ministry of Foreign Affairs, to the *Malay Mail* and quoted in yesterday's issue of the *Bangkok Times* in which the American Government was charged by strong implication with bad faith in stopping the delivery of the airplanes to Thailand. I inquired if this statement represented the views of the Government. The Deputy Minister indicated that it did and said he wished to say candidly that this action had caused very intense feeling among the Thai leaders. He said that the Thai Minister in Washington had been given to understand by officers in the Depart-

ment that the American Government had placed embargoes on shipments to Thailand because it was not sure of Thailand's attitude on the Indochina situation.

GRANT

751G.94/239: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, November 4, 1940—3 p. m.

[Received 5:48 p. m.]

884. I saw Chauvel this morning who gave me several pieces of [information] which may be of interest:

(1) He showed me a telegram from Admiral Decoux reporting that the Japanese have withdrawn all their heavy bombers from the airport of Gialam, leaving only some light bombers and chasers; that the Japanese commander had called on him and stated that his mission was over as his planes had successfully bombed the bridges over the Mekong on the Burma Road and he was therefore leaving. (Chauvel said that this was obviously just a pretext since the Burma Road continues as passable as the mud will permit.)

In another telegram which he showed me dated 3 days ago Admiral Decoux had reported that 7000 men of Japanese Kwangsi division had already been embarked at Haiphong along with 2000 mules and 2000 tons of matériel. (Chauvel remarked incidentally that it had later been found that the Japanese Kwangsi division which had gone into Langson had numbered considerably more than the 12,000 he had originally told me—my telegram No. 764, October 17, 7 p. m.⁴¹). A further telegram from Decoux stated that Japanese forces had withdrawn almost completely from Kwangsi, leaving the Indochinese frontier clear and communications with Nanning had accordingly been reestablished.

Ambassador Cosme had also telegraphed from Chungking concerning this Japanese withdrawal, reporting that Ichang had likewise been evacuated. Chauvel said it was difficult to place an interpretation on the Japanese withdrawal but he felt that it might well be to strengthen defensive positions against us. He did not feel that these withdrawals are due to the pressure of Chinese military forces.

(2) Cosme had telegraphed from Chungking that probably because of recent "closer relations" of Chiang Kai Shek with the British and ourselves, the Russians had stopped all shipments of arms and matériel to the Generalissimo and simultaneously the latter was having difficulties with the Communists' Eighth Army. Cosme also said

⁴¹ Not printed.

that Chiang Kai Shek no longer had any aviation. Chauvel found it difficult to explain this change in Russian attitude unless it was felt the Chinese could receive adequate arms supplies now over the Burma Road or because the Russians had greater need of matériel for themselves.

(3) Ambassador Labonne at Moscow feels that the Russians and Japanese will come to some agreement, urged on by the Germans, but that the Russians are playing down the importance of any accord which may be reached.

(4) The situation in Thailand, said Chauvel, is extremely disquieting and he showed me a long alarmist cable from the French Minister at Bangkok. Neither Chauvel nor the Minister believes that the Thais are being actively egged on by the Japanese at the present time—such a policy would seem inconsistent with Japanese withdrawal from Indochina and Kwangsi—but the Thais themselves are apparently becoming quite worked up and more excited and insistent in their demands: all sorts of rumors of probable mutiny and disturbances in Cambodia and Laos in Indochina, dissidence on the part of the Indochinese, reports of a Japanese invasion of Indochina et cetera are circulating in Thailand. Chauvel said that the Tokyo newspaper *Nishi Nishi* which is German-controlled is charging the British with stirring up the Thais although “of course this is absurd”.

The French Minister at Bangkok seemed to feel that the strength of nationalist feeling in Thailand might compel the Prime Minister to take early action in demanding immediate French cessions of territory.

(5) Chauvel said that the British still had taken no decision on the sending of the Senegalese battalions from Djibouti to Indochina which was unfortunate since at this time they could prove very useful in any difficulties with Thailand.

(6) He has had no news recently from Tokyo or Hanoi on the progress of Franco-Japanese trade negotiations.

MATTHEWS

893.24/944 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 5, 1940—3 p. m.

[Received November 6—10:05 a. m.]

29. Reference my telegram No. 27, October 31, 2 p. m.⁴² As a result of a final conference yesterday afternoon between the Government

⁴² Not printed.

General, the representatives of the American oil companies and myself, the following settlement was reached: The oil companies may export all petroleum products except motorcar gasoline to Hong Kong or Manila, all automobile petroleum products to be purchased by the Government General under a verbal agreement that it will not be sold to the Japanese.

This arrangement, if enforced fully by the Government General, represents a highly satisfactory solution of what might have been a difficult matter. It is possible that neither the Government General nor the Japanese desire to antagonize unduly the large American interests involved particularly as similar petroleum products (including aviation gasoline) are included in the United States Far Eastern Trading Corporation stocks, which will be probably confiscated or requisitioned. In the meantime the Government General is investigating under the direction of the Japanese all cargo at Haiphong, the cargo to be divided ultimately into China Government and private cargo. This investigation will take at least another 10 days and at the end thereof the Government General will announce a policy vis-à-vis both classes of cargo.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

893.24/949 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 8, 1940—10 a. m.

[Received 11:33 a. m.]

32. 1. Reference my telegram No. 29, November 5, 3 p. m. Yesterday afternoon the Secretary General informed me that it would be impossible to implement the agreement for the reexportation of American-owned petroleum at this time, chiefly because of Japanese pressure, although on the strength of the assurance given November 4 the Texas Oil Company had chartered a Panamanian vessel which is now on the way to Haiphong. Because the assurance was definite and by a responsible official, I have requested strongly a reconsideration.

2. The premises of the North American Syndicate, registered at Shanghai, were occupied by the Japanese yesterday afternoon under permission of the Government General which is requisitioning the property for Japanese use. Moreover, the premises are being requisitioned from the Indochina Railway (without notice to the American Company) who leased them to the China Syndicate which in turn re-leased the premises to the North American Syndicate.

3. It appears evident from the above and other recent developments that the Government General has lost all control of the situation in Tongking and that the Japanese are doing as they wish without regard for third party rights. While the Government General officials protest that they do everything to assist American interests, I see little evidence of their accomplishing much to this end and I am frankly pessimistic as to the fate of both American and Chinese cargo at Haiphong, particularly any part which at any time belonged to the Chinese Government.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

893.24/951 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 8, 1940—6 p. m.

[Received 8:59 p. m.]

34. Reference my telegram No. 32, paragraph 1, today's date, 10 a. m. This afternoon it was agreed that the Texas Oil Company may reexport certain stipulated petroleum products providing loading is done under combined French and Japanese supervision. Details of the extent of this supervision are to be worked out between Texas Oil Company manager and French and Japanese officials at Haiphong and whether the demanded supervision will be too onerous is as yet unknown.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

893.24/960a : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, November 9, 1940—9 p. m.

705. The American Consul at Hanoi reports that the French colonial authorities in French Indochina have prohibited reexportation from that colony of merchandise of American origin financed by credits provided by the Export-Import Bank.

Please make representations to the French Foreign Office, in such manner as you may deem appropriate, requesting the prompt release of the above-mentioned merchandise, stating that because of its American origin and the American credits involved, the Government of the

United States has an interest in its unimpeded delivery to such destination as may be desired by its lawful owners.⁴³

HULL

792.94/684

The British Embassy to the Department of State

EXTRACT OF TELEGRAM RECEIVED FROM LONDON, DATED
NOVEMBER 4th, 1940

"According to His Majesty's Minister at Bangkok present indications are that unless reinforced by United States or ourselves with war material Thai Government would not resist with arms a Japanese violation of Thai territory.["]

WASHINGTON, November 11, 1940.

893.24/956 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, November 11, 1940—5 p. m.
[Received November 12—9:53 a. m.]

931. Department's 705, November 9, 9 p. m. I discussed the question of re-exports from French Indochina this morning with Chauvel.⁴⁴ He states that considerable stocks of merchandise which had been shipped through Indochina to places such as Lungchow and even to Nanning were shipped back into Indochina at the time the Japanese went into Kwangsi. With the recent entry of Japanese troops into Indochinese territory in the neighborhood of Langson, the Japanese commander at Hanoi is insisting that such goods taken there constitute war loot and that therefore they should be permitted to seize them. Chauvel had little knowledge of the nature of the goods in question or whether or not any of them were of American origin.

The Japanese had also found out the cargo of one ship some time ago destined for Haiphong contained gas masks. The result is that they are insisting on the establishment of Japanese control commissions at Indochinese frontiers and ports. The French are vigorously objecting to this attitude, he said, and are at present negotiating with the Japanese with a view to a settlement. What that settlement will be and whether it will involve a French promise not to permit the re-exportation of certain types of merchandise he could not say. The

⁴³ In telegram No. 60, December 3, 10 a. m., the Consul at Hanoi reported that the Government General of French Indochina was still refusing reexportation permits for American goods; the Consul gave Japanese pressure as the reason (893.24/981).

⁴⁴ In telegram No. 943, November 12, 7 p. m., the Chargé in France reported that Chauvel had informed him that French goods were also included in the ban against reexport from Indochina (893.24/960).

French are likewise insisting that it is a matter for discussion and decision at Tokyo and not subject to the discretion of the Japanese general at Hanoi.

Pending the outcome of these negotiations and in order to prevent the arrival of such Japanese control commissions, the French have for the time being prohibited the reexportation of merchandise from Indochina.

Chauvel suggested that it might be opportune if I addressed a note to the Foreign Office along the lines of the Department's telegram 705 and this I am doing. He also suggested that it might be advisable for Ambassador Grew to discuss with Arsene-Henry the advisability of a possible *démarche* on our part at Tokyo. Chauvel said that frankly he was not sufficiently well informed of the status of our present relations with Tokyo to determine definitely whether such a step at this time would prove helpful or the contrary.

MATTHEWS

751G.94/242 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, November 11, 1940—11 p. m.

[Received November 12—1:38 p. m.]

937. My telegram 884, November 4, 3 p. m. and previous. Chauvel referred again to the British reluctance to permit the French to transfer four battalions of Senegalese from Djibouti to Indochina where they are so badly needed at the present time in view of Thailand's attitude. He handed me a brief memorandum this morning the purport of which he hoped I would telegraph to the Department. The French Government has received information unofficially from its Embassy in Madrid to the effect that the British Admiralty has refused to authorize the requested troop transfer. (Chauvel told me that this report came from the French Naval Attaché at Madrid; that Sir Samuel Hoare⁴⁵ had declined to transmit the Admiralty's answer but had telegraphed back to London in view of what he termed the "stupidity" of the Admiralty's position).

The position taken by the British Admiralty, says Chauvel's memorandum, gives rise to three observations:

1. The measures taken by the British have already resulted in a 1 month's delay in sending the reinforcements in question;
2. The French are not at all sure that the Italians will continue indefinitely the authorization given at Turin especially as concerns the free disposition of the required arms;
3. That by handicapping thus the defense of Indochina the British authorities are giving substance to the charges of Japanese prop-

⁴⁵ British Ambassador in Spain.

aganda according to which the Thailandese claims against Indochina are being encouraged by the British Government. (Please see my telegram 884, November 4, 3 p. m.)

He hopes we will talk to the British about it.

MATTHEWS

892.24/37 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, November 12, 1940—2 p. m.

[Received November 12—10:23 a. m.]

158. A special mission comprising eight officers of the Thai Air Force have gone to Japan to negotiate the purchase of war planes for the Government. I am reliably informed that the Thai are planning to make large purchases of other war material from Japan with the explanation that they have no alternative in view of our embargoes and the inability to obtain such material elsewhere. Many Japanese [live?] in Bangkok.

The British Minister has inquired of me informally if my Government might agree to sell such material to Thailand provided a guarantee were given that it would not be used for aggressive purposes. I replied that I thought my Government would not enter into such an agreement. Meanwhile the aggressive campaign against us for the requisitioning of the 16 war planes continues.

It is being charged that I was personally responsible for stopping the airplanes.

GRANT

740.0011 Pacific War/35

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 12, 1940.

The Australian Minister called to ascertain whether this Government contemplated sending a good will naval mission to Australia and to other countries in the southern area. I replied by reviewing all of the steps we have taken thus far to deal with the Far Eastern situation, including any threatened movements by Japan to the south, and then added that for the present we had other plans in mind than a good will mission.

I made some inquiry about the importance of increasing the number of airplanes at Singapore. The Minister replied that his Government had sent 50 planes to Singapore and that the British had some over 100 planes there. In answer to another question, the Minister

said that Australian plants produced about five or six planes per week and that this capacity would be doubled within the next six weeks. I inquired further whether his Government would consider it very important to send still other planes to Singapore, and he said that he was not advised as to this. I emphasized more than once about the importance of a substantial number of planes being stationed at Singapore, and pointed out that we have assembled at Manila all of our ships in the Far East, including a number of submarines, as well as some airplanes.

There was some general reference to the present conferences at Berlin ⁴⁶ as they might affect the Far East to the detriment of China at the hands of both Japan and Russia. I remarked that we hoped to continue, on an increasing scale, our aid to China.

Before leaving, the Minister handed me a message of congratulation to the President from the Prime Minister of Australia (message transmitted to President).⁴⁷

C[ORDELL] H[ULL]

856D.6363/786 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, November 13, 1940—3 p. m.
[Received November 13—9:20 a. m.]

The representatives of the local oil companies and Mukai representing the Japanese oil importers initialed an agreement yesterday providing for exports of petroleum products from the Netherlands Indies to Japan totaling 1,800,000 tons per annum composed of the following: 120,000 aviation crude, 100,000 crude for lubricants, 540,000 other crude oil, 250,000 motor gasoline, 50,000 gas oil, 116,000 diesel oil, 73,000 fuel oil, 57,000 kerosene, 494,000 products under the normal import quota.

The above includes undelivered quantities covered by previous contracts. Payments to be made in United States currency before making shipments.

The Chairman of the Netherlands delegation told me today that no agenda had been suggested; he intended to inform the Japanese delegation that he expected an agenda within 10 days failing which he would discontinue the negotiations; he expected the negotiations to be concluded by December 31; the Netherlands Government in London has been requested to instruct the Netherlands Minister at

⁴⁶ Reference is to the visit to Berlin of the President of the Soviet Council of Commissars (Molotov).

⁴⁷ Presumably on the result of the Presidential election, November 5.

Tokyo to convey this to the Japanese Foreign Office. I was informed, furthermore, that the Japanese delegates are apparently without instructions and are apparently considerably embarrassed thereby.

Local authorities have shown little or no concern over the unusual concentration of Japanese troops on Hainan and Formosa because of the general opinion locally that if Japan strikes at all the first blow will be at the Philippine Islands.

Repeated to Tokyo.

FOOTE

893.24/977a : Telegram

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

WASHINGTON, November 13, 1940—10 p. m.

471. Hanoi reports that chiefly because of Japanese pressure the authorities of Indochina are refusing to permit reexportation from Indochina of certain American-owned merchandise, detailed information regarding which is known to Reed, to the Indochinese authorities and presumably to the Japanese in that area.

Please approach the Foreign Office in such manner as you may deem appropriate with a view to causing the cessation of this unwarranted interference with the movement of American-owned merchandise.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping and Hong Kong. Hong Kong repeat to Hanoi.

WELLES

740.0011 Pacific War/72

*The Commander in Chief, United States Asiatic Fleet (Hart) to the Chief of Naval Operations (Stark)*⁴⁸

[MANILA, November 13, 1940.]

The following notes, which might be called an "appreciation", are submitted without attempt to judge or recommend our policy as regards intervention or non-intervention. The scope is meant to be restricted largely to our immediate relations vis-à-vis British and Dutch forces in the Orient.

There seems no doubt that Japan is resolved on a southward movement,—employing force if necessary. Her most important early objective is the oil supply from the East Indies. Obtaining actual possession of those oil fields would require some doing because of the ease with which the fields can be made unproductive for years.

In so far as it seems possible to differentiate between courses of action open to Japan, there are two :—

⁴⁸ Enclosure with letter dated Manila, November 13, 1940, from Admiral Hart to Admiral Stark, not printed. A copy was received by the office of the Secretary of State on November 26, 1940.

- a. A direct jump to N. E. I., by-passing the British.
- b. An advance against the British, primarily, either wholly water-borne direct against Singapore or step by step,—Indochina, Thailand, Burma and Malaya to Singapore.

The latter course, most probably, has been urged by the Axis Powers and Japan may have promised to take it. Advantages and disadvantages to Japan can be seen in either course and it seems unnecessary to attempt an evaluation herein; either one will eventually take in the N.E.I. It suffices, for the purposes herein sought, to most definitely assume that Japan is committed to their "southern advance".

At present the British are faced with those two grave threats to their Far Eastern possessions:—The one, a direct attack by Japan, leaves her no alternative but to resist, alone, if she must, to the best of her ability; the other, a Japanese attack on the Netherlands East Indies, leaves her with the choice of aiding the Dutch in what would almost assuredly result in a repetition of their failure in Norway, or of standing aside, knowing full well that their already precarious position would then become much more desperate. Their position in regard to opposing a Japanese attempt at occupation of the Netherlands East Indies is made more difficult by the fact that the Dutch themselves might not resist. And British Naval, Land and Air forces in the Orient are woefully weak.

Under anything approaching normal conditions British strategy in the Far East would demand that a Japanese attack on the Netherlands East Indies, or Japanese occupation of the Netherlands East Indies even if unresisted by the Dutch, should become a *casus belli*. Under present conditions, however, there is undoubtedly some indecision in the British Camp on the question of what Britain's action should be, even if the Dutch resisted; but so desperate is Britain's need to prevent the establishment of Japanese bases, etc., in the Netherlands East Indies that any commitment from us probably would be sufficient to embolden her to go to war to prevent such an eventuality.

The Dutch attitude, at least that indicated by their failure to send a representative to the recent conference, is understandable, but in the light of recent history hardly seems reasonable or wise. What they fear, of course, is that any consorting with the British would serve to end a Japanese indecision over the use of force against them and hasten a direct attack upon their islands. The Dutch know that British support would be only very meagre, and they may hope that by "maintaining the *status quo*" and showing no favorites they can escape disaster. Aside from the abundant proof of the weakness of this hypothesis to be found in recent European history, the best conclusion to be drawn from the record of the Japanese in the Far East would seem to be that the only thing that will deter them from an at-

tempt to seize the Netherlands East Indies will be their fear that, from one source or another, sufficient opposing force will materialize to render the venture risky; and that unless the chances of success are great, they will prefer to keep that portion of the vital markets which they now hold rather than throw them into an "all or nothing" gamble. And, as mentioned above, destruction of the oil fields must be kept in mind. Every addition to the defensive strength of the Netherlands East Indies adds something to the risks facing the Japanese; therefore it does not seem likely that the Dutch are doing themselves anything but harm in their refusal to confer with the British. Of course if the British should make their proffer of help to the Dutch conditional upon the Dutch coming to their assistance in the event of Japanese attack upon Malaya, or British Borneo, the Dutch refusal to accept is wisely taken; but apparently all the British want to discuss with the Dutch is the defense of the Netherlands East Indies. The Dutch attitude may possibly be the result of political factors under Nazi or Pro-Nazi influence, but whatever the cause, it does not appear to be one that will be likely to enhance their security.

The restraining influence which a certainty of British aid to the Dutch would have upon Japanese ambitions in the Netherlands East Indies probably would not of itself be sufficient permanently to deter them; but it would add something to the Japanese uneasiness.

With regard to our own action:—If it has been determined that it is in our interests to oppose a Japanese attack on the Netherlands East Indies, or if there is a possibility that, for any reason, we will be acting jointly with the British or Dutch or both, then it seems essential that we should at once take positive steps to enable us to make the fullest and most effective use of our joint resources. On this station, that entails the initiation of Staff discussions covering the many points on which complete understanding and agreements are essential to effective collaboration. That would go immeasurably further than the "exchange of information" basis on which we are now working. It should be possible, without making any political commitment, or without prejudging our final decision in each case, to proceed on certain assumptions. For instance, that in the event of a Japanese attack on the Netherlands East Indies we will intervene if the British do, and to then carry out with the British (and the Dutch, if they are willing) the extensive "conversations" which that assumption necessitates. It is realized, however, that in practice there lies danger of certain implications of actually having made political commitments by the very fact of accepting such an assumption as having elements of possibility. Thus, if they come to be known, such conversations might have domestic complications sufficient to deter our statesmen; but from a military viewpoint the necessity for them is obvious. It can eventuate

that Japan would take such conversations as a convenient excuse to charge "non-maintenance of the *status quo*" and thus justify their occupation of the N. E. I. That, however, has only a slightly better basis than the similar apprehension on the part of the Dutch referred to above. Naturally, all practicable precautions as regards secrecy would be taken at this end. The chances are that such precautions would be more effective with the British than with the Dutch. But "conversations" with the Dutch seem at least equally important because the Dutch have much the greater naval and air force available at present.

The question of Japanese reaction to certain of our moves tending to strengthen our position in this area, and to enable us to more effectively oppose them is undoubtedly being given much thought in Washington. As mentioned above, the possibility that such action on our part might be the catalytic agent that will crystallize the Japanese will toward a dash to the southward probably deserves some consideration.

The question of the "good will" Cruise is a case in point. If we are to trust the preservation of our interests to the good faith of the Japanese, such a cruise is not a particularly good idea. Neither does it fall into the category of good strategy if we institute such a cruise on the assumption that it will act as a check upon Japanese ambitions, if we are unprepared to carry through the measures that will be necessary in the event that assumption proves to be false. If, however, we are determined to use all our power to preserve our interests in this area, and are ready to do so, then the "good will cruise" is excellent strategy. It was difficult to advise the Department about such a cruise because of lack of information concerning our national policy. Therefore something of a middle course, such that a withdrawal could be made without loss of position ("face"), was advised.

A Japanese attack on British or Dutch possessions, or both, is a most likely development, unless the Japs are fairly certain that we will intervene. The knowledge that we will certainly do so would undoubtedly exert a heavy restraint, but the commitment to intervene should by no means be made on the assumption that intervention will actually never be required. What then remains for us to determine is what we intend to do about it. Here again the safest assumption seems to be that the only consideration that our rights and interests in the Netherlands East Indies, as elsewhere in the Far East, will receive from the Japanese will be what we are able to force upon them; and that if we wish to maintain those interests, the occasion approaches which will be our last chance to do so except entirely on our own and starting from scratch.

793.94/16311: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 14, 1940—6 p. m.

[Received 9:10 p. m.]

36. My telegram No. 31, November 7, 3 p. m.⁴⁹ This afternoon the Chief of Staff informed me that he estimated the total number of Japanese troops now in Tongking as about 14,000 and that the evacuation of Japanese towards Hainan had been retarded by a shortage of transports. He expected the greater part of the above number to be gone from Tongking (except garrisons at Haiphong and Gialiam) by the end of November. The Indochina authorities were at a loss to understand this movement and the evacuation of South China unless some move toward the south was contemplated. He discounted the persistent rumor that this movement of Japanese forces would begin alleged peace negotiations between China and Japan and was more inclined to believe that the undoubted heavy concentration at Hainan were in anticipation of German-Russian conversations paving the way to a Japanese-Russian understanding that would give Japan a freer hand in the Far East.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

740.0011 Pacific War/39

Memorandum of Conversation, by the Assistant Secretary of State (Berle)

[WASHINGTON,] November 15, 1940.

The Australian Minister came in today, at his request.

He said that his Government had been estimating the situation in the Far East.

It would seem that the Japanese had originally intended to move very fast; that the very solid attitude of the Government of the United States had led them at least to stop for the time being; that their policy was "hanging in the wind".

The Australian Government still hoped that arrangements might be worked out for a visit of some reasonably strong naval force to Singapore; but if that could not be worked out, that a visit of courtesy to Australia might be now considered. It was their view that with a sufficiently strong demonstration the Japanese might be deterred from carrying things very much farther.

⁴⁹ Not printed.

I said that all these measures had, I knew, been carefully considered at various times, and that I would pass on his suggestion.

A. A. BERLE, JR.

893.24/961 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 15, 1940—3 p. m.

[Received 5 p. m.]

37. Formerly cargo in transit to China that was held in Indochina by reason of the closing of the frontier could be cleared through the customs for sale. Today I have been informed by a usually reliable source that this may no longer be done except with the consent of the Japanese.

This is a further step in the Japanese control of Tongking, a control that in the not distant future may be extended to the whole of Indochina. It is to be remarked that this control will prevent the French acquiring supplies that might be needed for the defense of southern Indochina. It is of course problematic whether the French would undertake any resistance to the Japanese.

This step may be also aimed to maintain the vast [bulk of?] the cargo at Haiphong in the status of "transit cargo" so that any seizures by the Japanese will be seizures of cargo originally destined for China.

In connection with this cargo at Haiphong I have to report that, with the exception of the property of the Standard-Vacuum Oil Company and the Texas Oil Company, little or no success has been obtained in securing permission for the reexportation of even bona fide American property.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

751G.92/92a : Telegram

The Acting Secretary of State to the Minister in Thailand (Grant)

WASHINGTON, November 16, 1940—3 p. m.

80. Your 157, November 9, 5 p. m. and 162, November 13, 5 p. m.⁵⁰

1. The Department of course exchanges informally from time to time with officers of the British Embassy here information and comments with regard to the situation in Thailand, and in so doing has in mind the contents of your various telegrams.

2. The situation in Thailand has received and continues to receive the Department's careful attention. In the light of your telegrams

⁵⁰ Neither printed.

under reference we have reviewed that situation, and in the belief that our conclusions may be of assistance they are set forth as follows:

3. It is believed that this country's adherence to the principles which were set forth in the Department's 37, August 21, 6 p. m. and 46, September 11, 5 p. m. is well understood and that consequently no further initiative on our part in re-declaring them to the Thai Government is advisable at this time. We naturally wish to make no retraction of principles. It is believed, furthermore, that in the existing situation in Thailand any effort to indicate detailed applications of those principles would serve no useful purpose and might cause only annoyance and irritation. Any deterrent effect which the attitude of the United States may have had upon Thailand would appear to be more likely to be enduring if we now avoid reiterated expressions of view which might serve only to keep open a wound to the national pride. We feel that, having already made to the Thai Government a full exposition of principles, we should for the time being now rest our case.

WELLES

751G.92/135

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

[WASHINGTON,] November 18, 1940.

Mr. Butler⁵¹ called at his request. He referred to a call which he had made on Mr. Hornbeck some days previously, at which time he had informed Mr. Hornbeck that the British Government was giving consideration to the attitude which it should adopt toward possible developments in relations between Thailand and French Indochina. Mr. Butler explained that his Government was convinced that Japan would proceed to occupy points in southern French Indochina and that his Government wondered whether, when Japan embarked on expansion toward southern French Indochina, it would be to the interest of Great Britain (or of the United States) for the British Government to take an uncompromising attitude of opposition to any move by Thailand to recover certain parts of French Indochina which previously constituted part of Thailand. Mr. Butler said that his Government was naturally concerned in regard to the possibility of a Japanese attack on Singapore; that his Government considered it possible that Japan, after occupying points in southern French Indochina, would endeavor to make some arrangement with Thailand for the use of certain military bases in Thailand; and that possession

⁵¹ Neville M. Butler, British Chargé.

by Japan of such military facilities in Thailand would bring the Japanese threat to Singapore much closer. Mr. Butler on behalf of his Government posed the question whether it would be preferable for Thailand, should Japan start toward southern French Indochina, to take over certain portions of southern French Indochina rather than for Thailand to feel estopped from so doing by the attitude of the British and the American Governments. Should Thailand take over Indochinese territory, would not Thailand be disposed to resist Japan and not to agree to give Japan military bases in Thailand? Should Thailand make no move to take over Indochinese territory, would not Thailand feel that it had been estopped from such action by the attitude of the British and American Governments and would not Thailand be more likely to agree to give Japan military facilities in Thailand? Mr. Butler said that these were questions which his Government was considering.

Mr. Butler indicated that his Government's reports were to the effect that the Thai Government thought that this Government had been speaking to it as to a nation like Japan which had been engaged for a long period in aggression, whereas Thailand had not made any aggressive move.

Mr. Butler said that his Government would be interested in being informed of this Government's attitude and position toward the question of developments in relations between Thailand and French Indochina. He referred to the fact that when he had called on Mr. Hornbeck on this subject Mr. Hornbeck had made to him certain observations as expressive of his personal view. Mr. Butler asked whether I was in position to comment. I said that, without undertaking to speak as under express directive from higher officers, I would give him my understanding of what I thought the official attitude and position of this Government would be.

I then proceeded to inform Mr. Butler that some months ago, when developments in relations between Thailand and French Indochina appeared first to be growing acute, the Department had instructed the American Minister at Bangkok to make certain comments to the appropriate officials of the Thai Government in reference to certain statements which those officials had made to our Minister. I said that our approach revolved around the principles set forth in Mr. Hull's statement of July 16, 1937,⁵² and that we at that time had expressed the view that the question of relations between Thailand and any other country should be based on those principles. I said that subsequently we had expressed the same view to the Thai Minister here and had also stated that it was our belief that the use by Thailand of military means to reclaim territory which now belonged to another

⁵² *Foreign Relations, Japan, 1931-1941*, vol. I, p. 325.

country would serve to stimulate aggression and in the end would be likely to be disastrous to Thailand itself. I told Mr. Butler that I felt that this Government's attitude and position would continue to be based upon the principles set forth in the Secretary's statement of July 16, 1937.

Mr. Butler said that he would appreciate it if I would bring the foregoing matter to the attention of Mr. Welles with a view to obtaining an official statement of the attitude of this Government. I said that I would be glad to inform Mr. Welles and I repeated that what I had said constituted my understanding of this Government's attitude and position.

M[AXWELL] M. H[AMILTON]

740.0011 European War 1939/6855½

*The British Embassy to the Department of State*⁵³

TEXT OF TELEGRAM RECEIVED FROM BANGKOK

1. French Minister called yesterday on Thai Prime Minister by whom he was received with some coolness and who took a very black view of the future of British Empire in Asia. He said that he had only just received a telegram from Berlin from "a good source" telling him that an agreement had been reached by Russia with the Axis Powers and Japan providing for a simultaneous assault upon the Empire. Russia was to attack Persia and India whilst Japan was to attack us in the Far East. According to the Prime Minister, Hitler had made up his mind that the war had lasted too long and that we must be crushed before United States got into her stride. The Prime Minister said also that if there was going to be a reorganization of Asia Thailand could not remain outside it. I suspect that the sender of the telegram from Berlin may have been Colonel Prayoon.⁵⁴

2. The Deputy Minister of Foreign Affairs has repeated to Netherlands Chargé d'Affaires his conviction that the Japanese are on the point of taking Saigon and he is surprised that they have not done so already.

3. The British stock thus continues to fall sadly with Thais. I do not see how the situation can be saved in our favour unless by some

⁵³ Handed to the Chief of the Division of Far Eastern Affairs by the British Chargé on November 18. The Chargé also left the copy of another Bangkok telegram reporting a conversation with a Thai official to the effect that, if the Japanese took Saigon, Thailand would move to occupy Laos and Cambodia and also that Thailand would resist if the Japanese attempted to violate Thai neutrality. The telegram expressed doubt as to this latter statement.

⁵⁴ Director of Youth Department in Thai Ministry of Defense, on mission to Berlin and Rome.

decisive gesture on the part of United States and above all by basing of a strong American fleet on Singapore.

893.24/963 : Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, November 18, 1940—11 p. m.
[Received November 19—1:20 p. m.]

974. My telegram 931, November 11, 5 p. m. I have now received a written reply from the Foreign Office concerning the merchandise held up in Indochina. This note states that the re-export prohibitions have an "essentially provisional character"; that the measures were taken by the Governor General of Indochina to permit the competent authorities of France and of that colony to study the general question of the re-exportation of goods formerly destined for China and actually warehoused in Indochina preparatory to negotiations with the Japanese Government.

The note goes on to state that the goods affected by this negotiation are of different origins. A considerable part is covered by export credit insurance granted by the French State "which is in a situation analogous to that of the American Government." It is added that as far as American merchandise is concerned the Ministry has taken due note of the Embassy's statements and we may rest assured that the ultimate solution of the questions affecting the aforesaid merchandise will receive the special attention of the services studying the question.

Chauvel showed me a copy of the *aide-mémoire* which is being handed to Wellington Koo this afternoon in reply to a Chinese "protest" on this question.

The *aide-mémoire* states that there were 3 French ships loading at Haiphong, 1 for Fort Bayard, 1 for Hong Kong and 1 for Manila; the last, the *Sikiang*, was discovered by General Sumita's agents to be loading cases containing gas masks. As a result of this discovery General Sumita was insisting on the establishment of Japanese control commissions both at Haiphong and at Saigon. This the French are protesting against at Tokyo and are engaged in negotiations on the whole question.

Chauvel said that gas masks were included in a list of war material, the importation of which into Indochina, was forbidden under the French agreement with the Japanese; (he himself had negotiated that agreement which was based on the Geneva Convention for the Control of Traffic in Arms of 1925⁵⁵). He was under the impression

⁵⁵ Signed June 17, 1925, *Foreign Relations, 1925*, vol. 1, p. 61.

that the gas masks were of American origin but had no details with respect to the shipment nor whether they had been received in Indochina prior to the ban on arms shipments in transit.

He also showed me a telegram from Ambassador Henry at Tokyo reporting a 2-hour conversation with the Vice Minister for Foreign Affairs. The latter emphasized the unprecedented and extraordinary situation of Indochina as a justification for the Japanese attempted seizures. Henry maintained the point of view that the Japanese had agreed that there was to be no "occupation" of Indochina and that the Japanese demands were quite unjustified. He got the impression that the Vice Minister for Foreign Affairs was worried principally over the difficulties he would have in tackling the question with the Japanese military authorities. There the matter rests for the moment.

MATTHEWS

793.94/16329: Telegram

The Chargé in the United Kingdom (Johnson) to the Secretary of State

LONDON, November 23, 1940—8 p. m.

[Received 9 p. m.]

3833 [3834]. Mr. R. A. Butler⁵⁶ sent for me yesterday afternoon to make certain remarks, he said, about the Far Eastern situation. While the Government is not unduly alarmed by present trends, movements are taking place, the purpose of which is obscure, and may mean trouble. He mentioned first that there is a large scale evacuation of Japanese troops from southern China to Hainan, said ostensibly to be for the purpose of recuperation of exhausted men. This is doubtless true, he thinks, to some extent, but recuperation of tired bodies of troops does not take a long time under rest conditions and the number of troops now concentrating in Hainan are sufficient to give rise to the suspicion that they are being concentrated there for some other move. At the same time, Japanese naval vessels are definitely pointing their noses southward and there is a continuous passage of these ships around Saigon and beyond, making reconnaissances. The Japanese have already completely occupied Tongking and they may be planning to extend the occupation to Cambodia and Cochin China, with consequent increase of the menace to British Malaya.

While the direction the Japanese may thrust can only be conjectured, Mr. Butler said they are inclined to think here it is more likely to be toward Borneo, with a view to seizing the oil wells, than toward the

⁵⁶ British Parliamentary Under Secretary of State for Foreign Affairs.

Straits. The possibility of an attack on Malaya, both by land and by sea, is not however to be entirely discounted and it is planned to reinforce the British troops already there with contingents of Australian and New Zealand soldiers.

The position of Thailand in connection with the defense of Malaya is, of course, of vital importance and presents for the British a delicate situation. He said that he had denied 2 days ago to the Japanese Ambassador that there was any truth in the reply [*report?*] of a tripartite agreement between Great Britain, the United States, and Thailand. The British Minister at Bangkok is doing what he can to discourage any attempt to make and enforce at this time any territorial demands on Indochina. They are watching for signs in any quarter of resistance in Indochina to Japanese domination and want to encourage it, including any encouragement they can give to the Vichy Government to stiffen its attitude to Japanese demands. He admitted that they have very small leverage for accomplishing anything in this direction. They are not attempting to encourage any de Gaulle ⁵⁷ movement in Indochina although there are de Gaulle sympathizers in the colony who are in touch with leaders outside. To strike the balance between Thailand ambitions and stiffening, if they can, Indochina resistance is a ticklish job.

The Japanese are bombing the Burma Road and some bombs have fallen in Burma itself. The British are trying to put the best face they can on it and to act as though nothing had taken place.

Butler said the Foreign Office had sent to the Department through the British Embassy at Washington an outline of the plans of the Government to put economic pressure on Japan.⁵⁸ They are not planning to do anything spectacular, but what will be done, he hopes will be done thoroughly with all the Dominion Governments, India and the Colonial administrations cooperating so that the screws can be put on all exports to the Japanese at any point necessary. India, he said, had already put a ban on the export of scrap iron to Japan.

The Undersecretary reiterated two or three times that they are not alarmed about the present situation but that they felt it had dangerous possibilities; any move the Japanese may make south against Malaya would necessarily entail immediate British action and he remarked that if Borneo were the objective, it would put both Great Britain and the United States on the spot.

They are [facing?] insistent demands on all branches of the British armed forces now for ships, aircraft material and troops. It is obvi-

⁵⁷ Gen. Charles de Gaulle, leader of the Free French movement.

⁵⁸ See memorandum from the British Embassy, November 1, p. 613.

ous, therefore, that the Government is nervous lest dynamite go off in the Far East and they be faced with the necessity for an immediate effort which will call for the diversion of men, ships, aircraft and material that cannot be spared from the tremendous job they have on their hands at home.

In connection with economic pressure on Japan, Butler said that they are in close consultation with the Dutch. Although they do not like the recent agreement for the sale of Dutch oil to Japan, he seemed to place some confidence in Dutch toughness and what, he said, was their extraordinary skill in dealing and negotiating with the Japanese. He did not give any details of the practical way in which they expected the Dutch East Indies Government to cooperate in this field.

JOHNSON

740.0011 Pacific War/40

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 25, 1940.

The British Ambassador came in at his request, having just returned from London. He referred to the Far Eastern situation with apprehension, saying that he believed the Japanese were likely soon to attack Singapore. We dwelt briefly on the general situation in the Far East as it has developed thus far. I did not undertake to specify just what the future plans of this Government in that area would or might be from month to month and week to week, but added that he knew the various steps in our program thus far, which contemplated a firm and resolute policy toward Japan, both diplomatically and militarily, and aid to China at the same time.

The main point the Ambassador raised was that there should be conferences between the naval experts of our two Governments with respect to what each would or might do in case of military outbreaks on the part of Japan. I said that, of course, there could be no agreements entered into in this respect, but that there should undoubtedly be collaboration with the view of making known to each other any and all information practicable in regard to what both might have in mind to do, and when and where, in case of a military movement by Japan in the South or in some other direction.

The Ambassador said that the information he had gathered in London was that, while our Naval Attaché, Admiral Ghormley, was a good man, he consistently declined to discuss possible future plans on the ground that he had absolutely no authority. This brought him back again to the question of military consultation among appropriate

officials of our two Governments in regard, for instance, to the military situation that Singapore will present from all standpoints until the conclusion of the war. He added that some naval experts felt that the American Navy might largely make its base at Singapore, and that that would safeguard the entire situation. He expressed the view that the fleet at Singapore could reach Japan much sooner than a Japanese fleet could reach the Pacific Ocean [*sic*], and that, therefore, there would be no risk involved. I merely remarked that that was a matter for experts to pass on, and he said he hoped there would be discussion between his and our high naval officials with respect to all phases of the Pacific situation.

C[ORDELL] H[ULL]

751G.92/120

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

[WASHINGTON,] November 25, 1940.

The French Ambassador called to see me at my request. The Ambassador read to me a telegram which he had received direct from Admiral Decoux, Governor General of French Indochina, a couple of days ago. Admiral Decoux maintained in his telegram that the Thais were continuously provoking clashes with the French troops along the border and that this state of affairs seemed to be getting worse rather than better. The Admiral further maintained that the attitude of Thailand was being encouraged and stimulated by a "third power". He then went on to refer to the alleged representation made by the British Minister in Bangkok to the Thai Government in which the Minister was represented as having maintained that the British Government fully sympathized with the attitude of the Thai Government in demanding territorial restorations at the expense of Indochina. At the conclusion of his telegram, however, Admiral Decoux gave the Ambassador definitely to understand that the "third power" to which he referred was not Great Britain but Japan and insisted that the Thais were being stirred up deliberately by Japan with the proposed purpose in mind of creating such a situation between Thailand and Indochina as to give Japan a pretext for moving in to stop the fighting which would result and to occupy Saigon and presumably Thailand itself. The Ambassador stated that he would let me have any further information he received from Admiral Decoux.

S[UMNER] W[ELLES]

751G.92/95: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, November 26, 1940—noon.

[Received November 27—9:19 a. m.]

175. Reference is made to my 157, November 9, 5 p. m.⁵⁹ and to the Department's 80, November 16, 3 p. m. I thought and I am still sincerely of the opinion that the President and the Secretary should have the information which I submitted in regard to the policy of the British here in view of our general policy of friendship and sympathy for Great Britain, which it seems to me involves a moral obligation on the part of the latter to refrain at least from deliberately embarrassing us in our relationship with Thailand, especially in a matter of the importance of the Indochina affair which is a phase of our whole Far Eastern policy just as the Burma Road question is. I have given facts and following is a more recent example, quoted from the British-controlled *Bangkok Times*:

Referring to an article in the London *Times*, says the *Bangkok Times*, "We read further that Indochina must know that the United States and the British Government have both declared their interest in the maintenance of both the political and the territorial *status quo* in Indochina. That we assume", (meaning the *Bangkok Times*) "would not apply to Thailand's modest request to Indochina in regard to territory that was formerly Thai territory." The *Bangkok Times* then states that a good deal has happened since the article referred to in the London *Times* was written, "but the latest message we have seen would seem to show that Japan and Indochina are on very friendly terms, and would provide an example for Thailand and Indochina to follow."

Obviously this is propaganda designed to mollify the territorially ambitious Thai and I am sure that it has the full approval of the British Minister. I repeat that the British here are apparently ready to make almost any concessions in the Indochina affair solely in their own selfish interests and without regard to us or our Far Eastern right of transit. I feel strongly that the President should have this information and I hope the Department will convey my report to him.⁶⁰

Paragraphs 2 and 3 of the Department's telegram No. 80, the policy outlined therein is the one which I am following and which I have followed for several weeks.

GRANT

⁵⁹ Not printed.

⁶⁰ A copy was transmitted to President Roosevelt.

751G.94/253b : Telegram

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

WASHINGTON, November 27, 1940—8 p. m.

506. Press despatch under London date line November 26 reports the making by Japan of new demands for facilities in Indochina including (a) naval and air bases both on the Tongking Gulf and along Indochina's southern China Sea coast and (b) control of Saigon.

Bearing in mind Department's 334, September 3, 6 p. m.,⁶¹ paragraph (1), and related telegrams, Department desires that unless you perceive objection you approach the Foreign Minister and, referring to your previous conversations in regard to Japanese demands on and military activities in Indochina, inquire in regard to the accuracy of the report referred to above and emphasize that if the report should be correct, which the Department is reluctant to believe, Japanese action of the character indicated would unquestionably have a further unfortunate effect upon public opinion in the United States.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

HULL

792.94/69 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, November 28, 1940—11 a. m.

[Received 3:15 p. m.]

177. I have confidential information which has come from one of the highest and most reliable authorities of the Thai Government to the effect that the Japanese have proposed to the Thai Government the following program :

- (1) A military alliance.
- (2) Recognition of [by] Thailand of Manchukuo and the Japanese puppet government in China.
- (3) A cultural and economic *rapprochement* between Japan and Thailand pursuant to the so-called New Order in East Asia.
- (4) The establishment of a barter system between the two countries.
- (5) Raising of the Japanese and Thai Legations to Embassies.

The information to the effect that Germany and Japan had agreed to allow Thailand to acquire the territory she desires in Indochina provided Thailand joined the Axis, as reported in my telegram No. 118, October 12, 7 p. m., was also confirmed by this authority with the

⁶¹ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 291.

added statement that the Axis stipulated that Thai military forces must fire the first shots in Indochina. It was also stated that the Prime Minister is now regarded as very strong with the Thai Army and further that he could stop the propaganda in behalf of the Thai territorial aspirations if he desired to do so.

It is believed that the new Japanese Minister to Thailand, Jingo Futami, who is now en route here is empowered to negotiate the deal outlined in the first paragraph and if and when the Thai agree, they will be given the all clear signal in Indochina. It seems to be clear that the Japanese Domei report alleging an alliance between the United States, Great Britain and Thailand, as reported in my 169, November 20, 3 p. m.,⁶² was designed as a clear warning to Thailand that she could play with the Japanese only.

Foregoing repeated to Tokyo.

GRANT

751G.92/97 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, November 28, 1940—2 p. m.

[Received November 28—9:30 a. m.]

178. I was called to the Foreign Office at noon today and requested to transmit to my Government telegraphic information which it was stated had been received this morning by the Prime Minister as follows: The Commissioner of the Province of Nakon Panom has reported that 5 French aircraft have infringed Thai territory this morning at 8 o'clock, that Thai aircraft went up to protect Thai territory and when they were in gunshot range the French aircraft started firing and dropped 2 bombs on the Thai police rest house wounding 5 persons. A later telegram alleged that 3 French aircraft had been brought down by the Thai.

The Deputy Minister of Foreign Affairs said to me that the situation is regarded as most serious and that the Thai may take reprisals with their aircraft.

Foregoing repeated to Saigon.

GRANT

856D.6363/787 : Telegram

The Consul General at Batavia (Foote) to the Secretary of State

BATAVIA, November 28, 1940—3 p. m.

[Received November 28—9:10 a. m.]

The only developments in the Netherlands-Japanese negotiations since my telegram of November 13, 3 p. m., are as follows:

⁶² Not printed.

1. Ishizawa, who is replacing Saito as Consul General at Batavia, is expected to arrive by the end of this month and to bring Japan's demands for commodities needed by Germany. The chief delegate of the Netherlands told me this morning that requests for any commodity believed to be for Germany will be promptly and definitely refused and that if the negotiations do not proceed promptly and in a normal, satisfactory manner, they will be broken off at once.

2. Referring to the note from the Japanese delegation as reported in my October 24, 2 p. m., the Netherlands delegation has replied in effect as follows:

Careful consideration has been given to the Japanese request for additional oil; the offer of the oil companies constitutes an increase of 260% in exports of petroleum products to Japan and calls for increased production by at least 300,000 tons; the Netherlands Indies Government can neither recommend nor allow a further increase in the annual production; the total production of aviation gasoline above 87 octane had been sold prior to the regulations and cannot be made available to Japan now; quantities and qualities which have been offered represent an exceptional effort on the part of the oil companies; and the Netherlands delegation cannot see its way to recommend to the oil companies to offer additional tonnage or different varieties.

FOOTE

751G.92/99 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, November 28, 1940—midnight.

[Received November 28—9: 55 p. m.]

181. The Thai Government Publicity Department tonight issued a communiqué to the effect that: (1) strict censorship of all news; (2) all French nationals in certain frontier sections are required to leave within 24 hours, others in 48 hours; and (3) confirmed the earlier report to the effect that 3 French planes were brought down in the fight this morning at Nakon Panom.

American citizens residing in the danger zones are being communicated with through a special committee of local Americans which is cooperating with the Legation in the protection of American citizens in an emergency.

GRANT

811.20 (D) Regulations/1042

The British Embassy to the Department of State

MEMORANDUM ON INDO-CHINA

1. Exact information is difficult to obtain but the situation in Indo-China is deteriorating, especially as regards British interests. The main features of this development are:

(a) While exports are being allowed to other countries there is an embargo on exports to the British Empire.

(b) No British ships are allowed into Indo-China ports.

(c) Anti-British campaign in controlled press is increasing, and pro-British and pro-American sentiments are suppressed.

2. Japanese penetration is increasing. This is evidenced by reports that:

(a) Japanese have taken over for the period November to January, inclusive, large quantities of rice, total output and present stocks of rubber, minerals and mineral ores, total output of phosphates and limited quantities of coal, etc.

(b) Japanese have asked to be allowed to establish Customs control commission at Saigon.

(c) Japanese are demanding naval base in Kamranh Bay.

3. There is evidence that the French are acquiescing in this process of penetration and are committed to wide co-operation with the Japanese. They are unlikely to resist extension of control to Southern Indo-China. Nor is it possible for His Majesty's Government to offer support by way of aircraft, other war material or military action.

On the other hand, it would seem that troops are being concentrated in Cambodia to resist any attack from Thailand.

4. We have now considered what economic action should be taken with a view:

(a) To safeguarding British interests, since failure to react to trade embargo can only encourage such a policy, although in view of subservience of Indo-Chinese authorities to Vichy Government, which in its turn is subject to German influence, there can be little hope of persuading them of the un wisdom of their policy.

(b) More particularly, to ensuring that Indo-China does not become an entrepot for British products, the supply of which to Japan we are endeavouring to restrict.

5. We accordingly propose as from November 15th to stop all exports from United Kingdom and Colonies now subject to licence from going to Indo-China (possibly special arrangements regarding Hong Kong may be necessary to maintain flow of vital foodstuffs from Indo-China to Hong Kong via Kwang Chow Wan). The Government of India are being asked to do the same especially as regards jute bags and cotton. Stoppage of the former should make it difficult for Japan to fulfill her intention to meet from Indo-China her requirements of imported rice, which she evidently proposes to do by preventing exports of rice from Indo-China to other destinations. The Dominions will be invited to follow suit, though volume of their exports to Indo-China is not great. We also contemplate restriction of oil supplies to Indo-China.

6. While the main purpose of these measures is to make Japanese encroachments as little profitable to Japan as possible, ostensible ground for taking these measures is the embargo on trade with the British Empire.

7. His Majesty's Government realise that the United States Government cannot to the same degree invoke similar grounds but would like them to consider whether parallel action on their part would not be useful. For example, cutting off of cotton supplies from India would be ineffective if similar supplies could be obtained from United States Government.

8. His Majesty's Government would be grateful to learn the United States Government's views.

[WASHINGTON,] November 29, 1940.

751G.92/108 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, November 29, 1940—7 p. m.

[Received 9:45 p. m.]

55. The Secretary General has just informed me that there is little change in the situation vis-à-vis Thailand, a situation which he characterized as being "far from bright", although he stated that there have been no new incidents since yesterday.⁶³ Preparations are being continued to defend Indochina from further incursions of Thai troops and even to carry out counter measures. Practically all high officers of the General Staff are now in the south.

He said that French airplanes have not bombed Thai towns but that in reprisal for the Thai bombing of Thatkhek and Savannakhet, French river gunboats shelled several Thai towns on the Mekong.

The Secretary General stated that the United States Government had been asked again through the French Ambassador at Washington to make planes and munitions available not only for possible use against Thailand but also for possible use against the Japanese if the latter attempt a landing in the south. In this connection he denied that an air base had been granted the Japanese at Saigon and he was most emphatic that Indochina would not consent to this.

He referred to the recent Japanese statement that the garrisons authorized by the agreement of September 22 would be manned to

⁶³ In telegram No. 183, November 29, 7 p. m., the Minister in Thailand reported information from the Thai Deputy Minister for Foreign Affairs that "Thai airplanes this morning took 'reprisals' by dropping bombs on objectives in Indochina territory and then French airplanes attacked again over Thai territory." (751G.92/104)

the limit, including artillery and tank units. This, he believed, might well be a measure of intimidation to bring about acceptance of future Japanese demands.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

751G.94/256: Telegram

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

TOKYO, November 30, 1940—11 p. m.

[Received 12:38 p. m.]

1249. Department's 506, November 27, 8 p. m. I called this afternoon on the Minister for Foreign Affairs and made the desired approach fully as instructed. The Minister said that he was unaware of any new Japanese demands for facilities in Indochina including (a) naval and air bases both on the Tongking Gulf and along Indochina's southern seacoast and (b) control of Saigon, but that he would investigate and would let me know the result of his inquiry as soon as possible. I clearly emphasized the inevitable reaction in the United States if the report should prove to be accurate.

GREW

892.248/26: Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, December 1, 1940—2 p. m.

[Received December 1—10:50 a. m.]

187. Thirteen Japanese airplanes including 2 twin engine bombers and 11 single engine fighter bombers arrived in Bangkok yesterday by air with several Japanese mechanics aboard. These are supposed to be replacements for American bombers purchased by Thailand which were requisitioned recently. There is a reliable but unconfirmed report that other Japanese airplanes may be delivered here soon.

GRANT

751G.92/110: Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, December 2, 1940—1 p. m.

[Received December 2—9:36 a. m.]

58. My telegram number 55, November 29, 7 p. m. During the last few days there has been a recrudescence and continuation of incidents along the Indochina-Thai frontier, comprising air bombardments

by Thai planes, firing on Indochinese river craft, occasional raids and kidnapping of Indochinese villagers, and the occupation of an Indochinese island in the Mekong some 50 kilometers south of Vientienne. Although threatened, there were no important French reprisals up to last night.

The Government General regards the situation as serious but hopes that a peaceful settlement may be obtained. A high official professes to believe that the British are in part responsible for Thai activities. Generally this view is not acceptable as a spread of these activities might well lead to Japanese intervention in the South which would appear to be opposed to British interests. It would seem more logical that the Japanese are fomenting these activities.

The situation around Langson is much easier although more troops are being despatched in that direction. Disturbances are said to be continuing in the South despite strong repressive measures. It continues to be the consensus of opinion that the Japanese have instigated these native disturbances in the hope of finding an excuse for at least a measure of intervention.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

792.9411/1 : Telegram

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

TOKYO, December 3, 1940—4 p. m.

[Received December 3—10:35 a. m.]

1264. Reference Bangkok's November 28, 11 a. m.

1. The Thai Minister informed me yesterday that he is conducting no negotiations with the Japanese Government with a view to the conclusion of a military alliance and that he has no information that such negotiations are being conducted anywhere.

2. He also stated that in the current hostilities on the Mekong River the French forces had taken the initiative in bombing Thailand villages.

3. With reference to the Thai claims to Indo-Chinese territory and with further reference to our 1145, November 13, midnight; and to Department's 481, November 16, 6 p. m.,⁶⁵ I cannot refrain from expressing the opinion that the British recommendation that we accept "without too much protest" the more limited Thai claims, should these claims be realized (by force of arms), involves threat to the whole principle of the maintenance of the *status quo* in East Asia, which I

⁶⁵ Neither printed.

believe the British themselves have indorsed. The amount of territory so acquired, whether great or small, would seem to be beside the point. To accede tacitly to any such acquisition of territory by force, regardless of former rights or ownership, would be to weaken if not to invalidate our basic position vis-à-vis Japan's incursions on foreign soil. Craigie informs me that he (and presumably his Government) visualizes realization of the Thai claims only by peaceful negotiation without military pressure.

GREW

756.94/182

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

[WASHINGTON,] December 5, 1940.

The Minister of the Netherlands called to see me this morning at his request. The Minister stated that he desired to speak to me about the Far Eastern situation. He said that he had just received a visit from a Dutch official who had just returned from the Netherlands East Indies. The latter had told the Minister that while public opinion in general in the Netherlands East Indies seemed to be crystallizing rapidly towards the undertaking by the Netherlands East Indies of joint defense measures with the British and Australians in the event of any aggression on the part of Japan against any one of the parties, the Governor General of the Netherlands East Indies was sending word that the policy which he intended to pursue was as follows. In the negotiations on oil between the Netherlands authorities and the Japanese mission, the latter had expressed the belief that the Dutch were acting under pressure of the British and American Governments. To this the Governor General had replied that that assertion was completely untrue inasmuch as the Netherlands East Indies Government had a completely free hand in the matter. The Governor General had then said that he for his part would like to know under what pressure the Japanese were acting since it was public knowledge that they were partners in the Axis Pact and he would like to be informed just what pressure Germany or Italy had brought to bear on Japan. The Governor General's attitude had apparently created consternation on the part of the Japanese and, in the opinion of the Governor General, had contributed to the conclusion of the negotiations without further detriment to the Netherlands East Indies. The Governor General said that consequently he would object to any steps being taken by the British, Australian or United States Governments which could give rise to further claims on the part of the Japanese that some secret under-

standing or pact existed between the Netherlands East Indies and those Governments. For that reason the Governor General would not agree to the sending to the Netherlands East Indies of American naval observers, nor would he agree to any discussion on the subject of possible naval bases in the Netherlands East Indies. His policy in that regard he said was based solely on the fact that he had been unable to obtain any commitment of any character from the British or Australian Government that they would assist the Netherlands East Indies in the event that Japan attacked. If such commitments were obtained and there was evidence of sufficient force in existence behind the pacts to bear them up, he would be willing to consider the immediate adoption of another policy.

The Minister told me that he had already been advised by his Naval Attaché that certain additional naval and air forces were being sent to the Philippines and he felt confident that this would greatly encourage the Governor General of the Netherlands East Indies.

S[UMNER] W[ELLES]

747.94/39

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

[WASHINGTON,] December 10, 1940.

The Australian Minister called to see me this morning. The Minister gave me to read a telegram from his Government which stated that the Japanese Consul General in Canberra had called yesterday upon the Minister for External Affairs and had complained, (1) about the unwillingness of the Australian authorities to transfer to London 400,000 pounds of Japanese deposits in Australia; (2) about a permit for Japanese trade missions to visit Papua and certain other islands under Australian jurisdiction; (3) because of the imposition by the Australian authorities of an embargo on scrap iron which apparently was not imposed for economic reasons but rather as an indication of solidarity with British Empire and United States policies; and, finally, because of the unwillingness of the Australian Government to give any assurance that Japan would be able to continue to purchase Australian wool. The Japanese Consul General concluded his representations by stating that if an adjustment of these complaints was not found, and if Japan was forced to the conclusion that they were intended to be deliberately unfriendly, that Japan would "accept the challenge".

In a further telegram received by the Minister from his Government, the Minister for External Affairs took the position that he was in agreement with the views expressed by Secretary Hull to Minister

Casey some days ago opposing "a policy of pin pricks" which would not result in any real deterrent to Japan in any possible war preparations and which would merely result in irritation on the part of the Japanese Government.⁶⁶

Mr. Casey expressed, as his personal view, that Australia was not able to pursue a policy of economic sanctions against Japan with the same impunity as the United States. He regarded it as unwise of Australia to continue a policy of this character which "brought the wrath of Japan" down upon Australia without any resultant benefits to Australia therefrom. He said he believed that it would be desirable that a clarification of this general question be undertaken by the United States, British, and Australian Governments. I said that an exchange of views between Lord Lothian, as soon as he is well, the Department, and the Minister would be helpful so that all aspects of this question might be explored. I said that I need not reiterate to him the policy of this Government at this moment with regard to the Far Eastern situation, since that had been fully expounded to him by Secretary Hull only a few days ago.

The Minister told me that he suggested to Admiral Stark last night the desirability of sending a couple of American destroyers to Australian waters in order that the commanding officers might investigate certain passages and undertake certain soundings for themselves, since he believed that personal inspection by American naval officers of this character would be exceedingly useful in the practical sense in the event of trouble in the Pacific Ocean later on. He told me that Admiral Stark indicated he would consult with the Department of State with regard to this suggestion after he had consulted with his own War Plans Board.

S[UMNER] W[ELLES]

851.248/438

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

[WASHINGTON,] December 11, 1940.

The French Ambassador called on me this afternoon at his request. The Ambassador brought up the subject of obtaining munitions for French Indochina.

I told the Ambassador quite bluntly that after full consideration by the appropriate authorities of this Government it had been found impossible to permit the exportation to Indochina of the various cate-

⁶⁶ See memorandum of conversation, by the Secretary of State, December 3, p. 618.

gories of munitions listed in the memorandum which he had left with me some ten days ago.⁶⁷

The Ambassador took this without any argument. He then read to me a telegram he had received from the Governor General of Indochina urging that the United States be requested to sell to Indochina the ten airplanes which had been destined for Thailand but which had been held up in the Philippines.

I told the Ambassador that there could be no question of selling these airplanes to Indochina since they were going to be utilized by the United States Army, and that if it were found that any old planes now in the Philippines could be spared, they would be sold to China. I took occasion to state that it seemed to me amazing that the French Government would continue to permit the 100 new military planes purchased in the United States to go to pieces in Martinique when these planes would be of enormous value to Indochina in resisting aggression either on the part of Japan or on the part of Thailand. I said I had been very much interested in Mr. Laval's⁶⁸ comments on this possibility in his conversation with Mr. Murphy, referred to in Mr. Murphy's telegram of December 9.⁶⁹ I read the pertinent portions to the Ambassador.

The Ambassador thereupon burst into a state bordering upon frenzy. He shouted that he had sent ten telegrams to his Government on that subject insisting that the terms of the armistice made possible the shipment to Indochina of the planes in Martinique and that each time he had been turned down flatly with the statement that the terms of the armistice would not permit. Now, he was informed that Mr. Laval was taking a contrary view. He said he would immediately telegraph his Government and insist that steps be taken at once to ship these planes to Indochina.

S[UMNER] W[ELLES]

751G.92/125: Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, December 11, 1940—5 p. m.

[Received 8:52 p. m.]

1117. Chauvel confirmed to me yesterday Laval's statements regarding French refusal of the Japanese offer to arbitrate the Indochina-Thailand conflict. He thought that for the time being an effort

⁶⁷ Not printed.

⁶⁸ Pierre Laval, Vice President of the French Council of Ministers (Vice Premier).

⁶⁹ See telegram No. 1109, December 9, 5 p. m., from the Chargé in Vichy, vol. II, in section under France entitled "Maintenance of Relations by the United States with the French Government at Vichy."

would be made to settle matters directly between Indochina and Thailand. He promised to show me the telegram [to] Tokyo now in preparation as soon as it had been approved.

MURPHY

747.94/39

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

[WASHINGTON,] December 12, 1940.

Reference, memorandum of conversation between the Under Secretary and the Australian Minister on December 10.

The Australian Minister came to me also, on December 10, and showed me the two telegrams the contents of which he had made known to Mr. Welles. He expressed to me also as his personal view the view that Australia (or any country that is not powerful) is not in position to pursue with the same impunity as can the United States a policy of economic sanctions against Japan.

I made the comment that, in my opinion, Australia is for the present less open to possible attack by Japan than is even the United States; I said that in the long run Australia's security depends on what happens first between Japan and several other countries or regions, including the United States; I said that Australia's first line of defense is an arc stretching from China on the west through Singapore, Java, Borneo, the Philippines and to Hawaii on the east; Australia has no reason to fear that she will be attacked before that line has been broken by an acquisition by Japan of a base at Singapore or in adjoining regions (the Netherlands East Indies); and that to make any policy of economic pressures effective it is essential that all parties which have a common interest and concern should cooperate, for, as long as any parties refuse to do so, the difficulty of getting any others to do so is greatly increased. I said in conclusion that it would seem to me that Australia herself, if not already in need of her whole available supply of some of the commodities which his Government had mentioned, would soon be in need of them all, and that the Australian Government, if it chose to withhold those commodities from Japan, could do so on the score of its own needs for national and empire defense. I finally asked whether, if each and all of the parties concerned would do its individual utmost in the field of general "preparedness," there would really be need for much in the nature of consultations looking to commitments⁷⁰

S[TANLEY] K. H[ORNBECK]

⁷⁰ Notation by the Acting Chief of the Division of European Affairs (Atherton) about December 18: "May I say I agree 100%."

893.48/1993 : Telegram

*The Consul at Hanoi (Reed) to the Secretary of State*HANOI, December 12, 1940—6 p. m.
[Received 11 p. m.]

64. Reference the Department's telegram No. 143 to Chungking, August 14, 8 p. m.⁷¹ After having previously authorized the re-exportation to Hong Kong of certain supplies for the International and the Chinese Red Cross Associations, an authorization which could not be used because of lack of shipping space, the Government General has now refused to extend the previous authorization and has stated that existing circumstances prevent the issuance of a new authorization. In view of the fact that the French liaison officer with the Japanese mission asked me to supply details of these supplies just prior to the Government General's adverse decision, it is certain that the Japanese attitude is responsible for the decision.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong.

REED

751G.94/270a : Telegram

The Secretary of State to the Chargé in France (Murphy), at Vichy

WASHINGTON, December 12, 1940—7 p. m.

837. The Department suggests that, unless you perceive objection, in which case you should report your reasons to the Department by telegraph, you take an early opportunity to speak informally to an appropriate official of the French Government substantially along lines as follows:

Having in mind the statements which officials of the French Government have made from time to time that they entertain friendly sentiments toward the United States, we should like, in a spirit of good will and in the belief that the matter is one in which the appropriate French officials will be interested, to make known to them our considered view, based upon information available to us, that Japanese maneuvers in and with relation to French Indochina and with relation to Thailand are indicative of a clear intention on the part of the Japanese to extend their influence and domination in the French territory in question. This would seem to us to be neither to the advantage of France nor to the advantage of Thailand and it occurs to us that it might be feasible for the French authorities, in their own interests as well as in the interest of the maintenance of

⁷¹ Not printed.

the principles of orderly processes and fair dealing among nations, to discuss the situation which is developing with appropriate German authorities with a view to the bringing by the latter of restraining influence to bear upon the Japanese Government.

This is, of course, a purely informational, unofficial and friendly suggestion made in the obvious interests of all who have a rightful concern in the present trend of developments in the area of the Far East in question.

HULL

792.9411/3 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, December 13, 1940—5 p. m.
[Received December 13—11: 53 a. m.]

206. Text of the pact between Thailand and Japan, which was ratified in Tokyo yesterday according to information received at the Foreign Office, was shown to me today by the Deputy Minister of Foreign Affairs who said his Government would ratify as soon as the instruments have been received in Bangkok. The Japanese Government, he said, objected to the designation of the pact as a pact of non-aggression and therefore the pact is designated as "a treaty between Siam and Japan concerning the continuation of friendly relations and the mutual respect of each other's territorial integrity." The principal provisions are as follows:

Article 1. Mutual respect for each other's territorial integrity and reaffirmation of the constant peace and the perpetual friendship existing between the two countries;

Article 2. Mutual maintenance of friendly contact in order to exchange information and to consult one another on any question of common interest that may arise;

Article 3. In event of one of the parties suffering an attack from any third power or powers the other party undertakes not to give aid or assistance to said power or powers against the party attacked.

Article 5. In case either of the parties shall have given notice to other 6 months before the expiration of 5 years of its intention to terminate the treaty it shall continue operative until the expiration of 1 year from the date on which either party shall have given such notice.

The preamble contains the following: "being convinced that the peace and stability of East Asia is the common concern of the two states" and further "being equally animated by earnest desire of reaffirming and further strengthening the traditional bonds of friendship between Siam and Japan."⁷²

GRANT

⁷²The treaty went into force on December 23.

740.0011 Pacific War/56

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] December 13, 1940.

Mr. Nevile Butler, Chargé d'Affaires of the British Embassy, called at his request and said he desired to bring up a matter relating to one of the last statements of Ambassador Lothian ⁷³ to the effect that if the Japanese should be made to feel reasonably certain that their invasion of the South Sea countries would bring the United States into war with them, they would be fairly certain not to undertake such invasion. He then said that he was under the impression that we had already taken certain steps calculated to deter Japan from such a course. I replied that we had done so to a certain extent and in different ways, with all of which he is familiar. I said nothing more. Mr. Butler then stated that his Government was interested in the question of what sort of military relations from a defensive standpoint it might be possible to develop in a mutually feasible and desirable way among the South Sea countries. I replied that I had heard some British or Dutch official suggest what was considered very wise: that the British and the Dutch discuss all phases theoretically and each would readily see what the view and the attitude of the other would be under given conditions in case of a Japanese invasion and attack, and that this would in no sense involve any sort of a military or other alliance. I also added that sometime ago I had suggested to Ambassador Lothian that the British would logically discuss these matters with the Dutch and that whatever discussions the United States Government might have would be with the British only. I added that, of course, any such discussions on our part would in no sense involve any departure from our past policies of non-involvement.

C[ORDELL] H[ULL]

893.24/960a : Telegram

The Secretary of State to the Chargé in France (Murphy), at Vichy

WASHINGTON, December 13, 1940—7 p. m.

843. Department's 705, November 9, 9 p. m. and related telegrams. The American Consul at Hanoi in a telegram of December 9 ⁷⁴ states:

"The situation vis-à-vis the cargo at Haiphong has definitely clarified—no cargo (including American owned cargo) can be re-exported save under certain unnamed special conditions and the Government General envisages requisitioning cargo needed for Indochina or allowing the owners to sell their cargo on the local market with the benefit

⁷³ The British Ambassador died December 12.⁷⁴ No. 61, December 9, 9 a. m.

of a minimum tariff. This amounts to forcing the cargo owners to supply Indochina's [needs?], probably at a loss to owners and with no guarantee that the proceeds from requisition or sale may be converted into exportable foreign currency.

There are indications that the Government General may adopt the following plan in regard to the United States Far Eastern Trading Corporation cargo (about 90 per cent bought with American loaned money): by fining the company for customs irregularities and bonded warehouse shortages, the company will be obliged either to pay a huge fine with no prospect of re-exporting the cargo or to turn the cargo over to the Government General in payment of the fine."

Please again approach the Foreign Office and emphasize the importance which this Government attaches to a prompt rectification of the situation under discussion.

HULL

751G.92/128 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, December 14, 1940—7 p. m.

[Received December 14—10 a. m.]

209. The following communiqué was issued late today by the Government Publicity Department:

"His Majesty's Government hereby states that the Thai Government has [had] much pleasure to enter upon negotiation with French Indochina in order to end peacefully the dispute prevailing between the two countries. French Indochina is requested to send delegates to make agreement as at first notified and agreed to by Monsieur Lepissier, the French Minister to Bangkok. We, the Thai nation, have no wish to disturb the peace of anyone but we will have to wipe out of existence all the injustice which French Indochina has done to us.["]

GRANT

740.0011 Pacific War/71

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

[WASHINGTON,] December 14, 1940.

The British Chargé d'Affaires called to see me at his request.

Mr. Butler first mentioned that the British were sending secretly to Washington two high-ranking officers to engage in staff conversations with regard to the Pacific problem. He said that the British Government desired to know whether the United States would not consider it useful for a corresponding Dutch officer to participate in these conversations. I stated that, in the opinion of the State Department, both Secretary Hull and I felt that the wiser procedure

would be for the exchange of views to be limited to British and American officers, and for the British to inform the American officers of the exchange of views which they, themselves, had with the Dutch General Staff. I said it seemed to us that this was a procedure which would have obvious advantages. Mr. Butler inquired whether I did not think it would be useful for protection for a Dutch officer to be on hand somewhere in the background, should it later be determined that the Dutch should be included in the exchange of views in contemplation. I said I saw no objection whatever to this arrangement, provided it were premised upon the understanding above outlined.

S[UMNER] W[ELLES]

751G.92/129 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, December 15, 1940—6 p. m.

[Received December 16—11: 05 a. m.]

1141. Chauvel showed me last evening the telegraphic instruction of December 13 to Henry-Haye directing him to inform the Department regarding the French decision to decline Japan's offer to arbitrate the Indochina-Thailand conflict.⁷⁵ Its transmission was delayed because of the Government crisis. The instruction recognizes the position of the United States regarding the maintenance of the *status quo* in the Orient as made clear by the Department in the past. It emphasizes the need for economic cooperation between the French colony and the United States and the necessity for the latter's support in respect of the four battalions of troops from Djibouti, aviation equipment and generally a helping hand to strengthen the colony's powers of resistance of Japanese encroachment.

Any encouragement which could possibly be given the French to crystallize their natural desire to put a bold front in Indochina would, viewed from here, be most timely.

MURPHY

751G.94/271 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, December 16, 1940—3 p. m.

[Received December 17—9: 50 a. m.]

1142. Your 837, December 12, 7 p. m. I brought the suggestion informally to the attention of Chauvel on December 14th. He said the

⁷⁵ No record of such statement by the French Ambassador has been found in Department files.

idea has much to recommend it, adding with a smile that he was mildly surprised that we should suggest any dealing with the Germans.

He said that at Wiesbaden the Germans (he mentioned General von Stulpnagel) have made several informal inquiries to General Huntziger⁷⁶ regarding Indochina. The general tenor of the question has been: "What is it all about?" According to Chauvel, the Germans have never put the slightest pressure on the French to cede to Japanese demands. On the contrary he is certain that the German preference for selfish precedent no doubt is for the retention intact of Indochina as an integral part of the French Colonial Empire.

Chauvel said that the suggestion will receive careful and sympathetic study. He will keep us informed.

I also had an opportunity to mention the matter to Baudoin. He said that in his opinion it would be the last thing which France should do under the present circumstances. According to Baudoin, the Japanese have manifested a certain pride in retaining an independence of action in the Orient and he believes that they would resent any suggestions from Germany. He believes furthermore that the Germans would be unwilling to interfere in the slightest with the Japanese plans in the Orient.

MURPHY

893.24/991 : Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, December 16, 1940—7 p. m.

[Received December 17—11:08 a. m.]

1147. Department's telegram No. 843, December 13, 7 p. m. Chauvel states that the Foreign Office has no information which would confirm the fears expressed by our Consul at Hanoi with respect to the future plans of the Government General. He read us pertinent portions of a lengthy telegram received several days ago from [Hanoi?] which listed by categories the cargo affected by the export ban and gave a general list of the names of the owners thereof including the Far Eastern Trading Corporation. The telegram stated that such portions thereof as the Government needed would be requisitioned (Chauvel spoke particularly of the sizeable quantity of French owned rails which he hoped would be the subject of such requisition—Embassy's telegram No. 943, November 12, 7 p. m.⁷⁷).

⁷⁶ Head of the French Armistice Commission at Wiesbaden.

⁷⁷ Not printed.

The remaining goods which would be the greater portion for the time being would either be left in warehouse or turned over "to the Chinese or American owners" for consumption in Indochina at the latter's option. He had no information concerning any contemplated plans or indirect method to compel disposition of the goods affected by the present temporary reexport ban through customs fines, et cetera. He indicated that it would facilitate matters if the Embassy could be informed more specifically with respect to the nature of the goods in question, especially those financed by credits of the Export-Import Bank.

As to the negotiations on this question in Tokyo, the Foreign Office has no recent news and Chauvel expressed the view that there is at present a conflict between the Japanese Foreign Office and the War Ministry. He stated that Matsuoka had frankly agreed with Ambassador Henry as to the correctness of the French position and that the French are insisting on the right of reexportation. He also said that these negotiations are in no way connected with those for a general economic agreement between Japan and Indochina which, as the Department is aware, are scheduled to commence shortly at Tokyo.

MURPHY

751G.92/132: Telegram

The Chargé in France (Murphy) to the Secretary of State

VICHY, December 17, 1940—5 p. m.

[Received 8:20 p. m.]

1150. Chauvel stated that the news from Thailand was more encouraging. For the first time in 3 weeks the French have received direct telegrams from Bangkok. (It will be recalled—telegram Number 1094, December 6, 7 p. m.⁷⁸—that the Thai had stopped all cable communications between the French Legation at their capital and the Foreign Office here. The latter has, however, been receiving some delayed cables transmitted by air mail from Bangkok to Hanoi and cabled from there.) The cable which he showed us quoted a Thailand Government communiqué which was quite moderate in tone and indicated a willingness to settle difficulties with the French on the basis of appropriate frontier demarcation along the Mekong (which the French had already expressed a willingness to discuss upon ratification of the nonaggression pact).

⁷⁸ Not printed.

On the basis of this communiqué the Foreign Office is instructing the new Minister at Bangkok to express satisfaction to the Thaiandese authorities and to inquire how Thailand expected negotiations to be carried on when the Thai Minister has departed from Vichy and the French Minister at Bangkok is not permitted to cable his Government.

Chauvel also read excerpts from a lengthy telegram transmitted a few days earlier via Hanoi in which Garreau⁷⁹ discussed a conversation with his British colleague at Bangkok. The latter, according to the telegram, had said in reply to an inquiry that the British were in no position to endeavor to restrain the Thaiandese in their attitude toward Indochina, as such an attempt would only throw the Thaiandese more and more under Japanese influence. According to the telegram, Crosby had proceeded to say that even if he were in a position effectively to take such a step he would not do so; it was much more to British interests for the defense of Singapore to see aggressive Thaiandese troops on the Mekong as a defense against Japanese forces pushing through Indochina with the Malay peninsula as their probable ultimate objective. Chauvel said that he was somewhat perplexed by this telegram as he has been as regards British policy toward Indochina for some time. He does not know whether Crosby is merely the "old colonial" type of British agent, thinking in terms of playing off one set of natives against another, or whether he really represents the views of the British Government. Throughout, however, the British and Chinese propaganda, sometimes based on a few facts, attempts to show that Japan has aggressive intentions with regard to Indochina; on the other side, Japanese propaganda, likewise some times based on facts, tends to show that it is the British who are inciting the Thaiandese. This is the sort of question which the French, limited to secondhand exchanges of views through the British and French Embassies in Madrid, are not in a position to clear up. The British position, however, taken against the transfer of troops from Djibouti for the purpose of strengthening French colonial defense tends to strengthen the impression in Vichy that they do not wish to reinforce the French hand in Indochina. Any light which the Department can throw on this aspect of British policy in the Far East will be helpful to the Embassy as background here.

Chauvel stated that the attitude of our Minister at Bangkok was quite different from his British colleague and that his influence has had a calming effect, he felt, upon the Thaiandese.

MURPHY

⁷⁹ Roger Garreau, French Chargé in Thailand.

893.24/992 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, December 19, 1940—7 p. m.

[Received 9 : 45 p. m.]

69. The Department's telegram No. 13, December 13, 6. p. m.⁸⁰

1. I discussed the question of reexportation with the Secretary General this morning who stated that the Japanese had brought so much pressure to bear that the Government General had been forced to adopt the attitude of prohibiting the reexportation of all cargo at any time in transit to China regardless of the nationality of the owner. He added that the "special condition" under which cargo could be reexported was the obtaining of Japanese consent to the reexportation. In this connection reference is made to my telegram number 67, December 16, 7. p. m.,⁸⁰ second paragraph, regarding payment of premiums, there is involved a matter which is now fairly reliably confirmed.

2. The Secretary General stated further that the Japanese were bringing great pressure to force Jacoby⁸¹ to leave the country so as to give support to the Japanese claim that he was to blame for the Haiphong incident⁸² and was accordingly being asked to leave Indochina. The Secretary General remarked that the Government General had been pleased with Jacoby's coverage of incidents along the Thai frontier but felt that it would be better for all concerned if Jacoby left by the next boat, December 26.⁸³

3. The Secretary General did not anticipate adverse developments in the situation vis-à-vis the Japanese in the near future but he felt that it was only a matter of time before the Japanese would advance southward. He cited information regarding concentrations of troops and munitions at Hainan which he believed would be used against the Netherlands Indies—the Japanese have not demanded a base in southern Indochina but will take one, by force if necessary, the moment an attack on Netherlands Indies is decided.

4. Notwithstanding certain officials in high offices who are inclined to acquiesce readily to Japanese desiderata, the Secretary General was convinced that the great majority in Indochina would want to resist any further Japanese aggression against Indochina. Resistance would be possible he thought if Indochina possessed sufficient airplanes and then mentioned the efforts being made to obtain the planes now at

⁸⁰ Not printed.⁸¹ Melvin Jacoby, United Press correspondent.⁸² See *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 703-705.⁸³ The French Governor General on December 25 informed the American consular officer at Hanoi that the Japanese military mission, while not disavowing action by the Japanese sentinel in the Haiphong incident, was taking steps against other soldiers involved.

Martinique or those at Manila originally destined for Thailand. He remarked that about 100 French aviators have recently arrived in this country.

5. The Secretary General showed me certain confidential documents purporting to prove that the Japanese are fomenting the trouble with Thailand. He expressed the hope that the United States would bring pressure on Thailand to abandon the recent provocative measures, which compel Indochina to maintain a large army in that region when the army should be stationed elsewhere to prevent a Japanese attempt on southern Thailand.

6. During this extremely frank discussion of the situation the Secretary General expressed great regret for the measures taken adverse to American and British interests in Indochina but stated that these measures were necessary unless an open break with the Japanese was desired. Without material assistance, especially airplanes, Indochina could not long resist an overt Japanese aggression and, if Indochina is to resist, the United States and Great Britain must come to the rescue.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

893.24/993 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, December 20, 1940—5 p. m.

[Received December 21—11:55 a. m.]

71. My telegram No. 69, December 19, 7 p. m., the following comments may be made:

Although the Japanese are primarily responsible for the immobilization of the great bulk of the cargo at Haiphong, the Government General has been in general far from energetic in urging the Japanese to release much of this cargo. Unquestionably the Government General hopes to supply Indochina's needs by the sale of part of this cargo. During the 2 months since the suspension of reexportation only a limited amount of cargo has been shipped, chiefly goods not wanted by either the Japanese or Indochina.

There appears to be some divergence of opinion among the high officials as to how the situation vis-à-vis the Japanese should be handled, the person⁸⁴ referred to in my telegram No. 69, December 19, characterizing the policy towards the Japanese as weak and that

⁸⁴ An officer of the Division of Far Eastern Affairs indicated in a notation that this reference is to the "Secretary General."

towards the United States and Great Britain as likely to antagonize the only possible [ones?] able to assist Indochina. This lack of unanimity among the leaders does not impress one as indicating a united front against further Japanese aggression.

It must be admitted that Indochina's problems are difficult and will continue to be as long as the Japanese are virtual masters of Tongking and presumably have the force necessary to take over southern Indochina at any time they desire. Native troubles, designated as "communistic" by the authorities but probably largely Japanese-fomented, and Thailand activities, believed to be Japanese engendered, contribute to the general adversity of the situation.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Shanghai, Canton.

REED

751G.94/287

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

[WASHINGTON,] December 23, 1940.

The British Chargé d'Affaires called to see me this afternoon at his request.

Mr. Butler stated that the British Government was anxious to have an exchange of views with the United States with regard to the situation in Indochina. The British Government felt that the commercial preferential advantages which the French authorities in Indochina had already granted to Japan, and an extension of which was now being discussed in Tokyo between the French Ambassador and the Japanese Foreign Office, were destined to increase the desire of Japan to occupy the whole of Indochina. He asked whether the United States was prepared to take any action in the sense of cutting off trade between the United States and Indochina in order to make Indochina a less tempting morsel for Japan. Mr. Butler also said that his Government realized that the position assumed by the American and British Ministers in Bangkok had not been identical insofar as relations between Thailand and Indochina were concerned. He wanted to know whether there was anything further that this Government could do to discourage Japanese and possible German invasion of Thailand.

I stated to Mr. Butler that this Government had not felt that the temporary commercial prosperity of Indochina was the chief bait which was tempting Japan. On the contrary, I said, it seemed to the United States Government that Japan desired to possess Indochina because of the natural resources of the country and because of its stra-

tegic importance to Japan in the event that Japan undertook to move south either through Thailand against Burma or by water against the Netherlands East Indies. I said it seemed to me that the evanescent and temporary trade between Japan and Indochina was of altogether secondary importance in relation to the other two aspects which I had mentioned. With regard to the relations between Thailand and Indochina, I said that the American Minister in Bangkok had made it clear that this Government believed that any territorial rectification between Indochina and Thailand was a matter which should only properly be undertaken through peaceful negotiation and not as a result of military pressure and Japanese instigation. Mr. Butler admitted that the British Minister in Bangkok had at an earlier date, with the consent of his Government, favored the rectification of the boundary between Thailand and Indochina at the expense of Indochina, but that in recent weeks he had not pursued this policy any further.

I said that the possibility of this Government doing anything further along the lines of the inquiry made by Mr. Butler would in my opinion be limited to the sending of additional naval reinforcements to the Philippines which, as Mr. Butler knew, had already to some extent been done.

I said to Mr. Butler that the French Ambassador was continually requesting that this Government make it possible for Indochina to purchase planes and munitions for self defense but that this Government had very definitely taken the position that inasmuch as the French had one hundred new planes deposited in Martinique which were readily available for the defense of Indochina, no consideration could be given to these requests of the French Government unless they were prepared to utilize the airplanes already at their disposal and not being utilized in any other way. I said that I was now awaiting word as to the final decision of the French Government in this regard. I said that should the French Government determine that it wished to send these planes to Indochina, we would then inform the British Government accordingly and ascertain what the views of the British Government might be.

Mr. Butler stated that in recent days the British Government had come to the conclusion that Admiral Decoux, the Governor General of Indochina, was actually determined to defend Indochina against either Thailand or Japan and that they were willing to encourage him in this regard but were determined nevertheless to cut off, insofar as that were possible, export and import trade with Indochina. I stated that insofar as this aspect of the question was concerned, goods destined for export to the United States from Indochina were being held up by Japanese instigation in Indochina and that so long as this

situation persisted, this question, insofar as the United States was concerned, might be regarded as in essence somewhat theoretical.

S[UMNER] W[ELLES]

751G.94/272 : Telegram

The Consul at Hanoi (Reed) to the Secretary of State

HANOI, December 24, 1940—6 p. m.
[Received December 25—7: 50 a. m.]

72. Both the Governor General and the Secretary General mentioned in conversation this morning the most recent demand of the Japanese military in Haiphong that they be given the right to search Chinese and to arrest those found to be "anti-Japanese". Both officials stated that the Government General would not grant the Japanese request and that the Japanese demand had been referred to Tokyo and Vichy. At the same time both of them remarked that General Nishimura, head of the Japanese military at Haiphong, was responsible for activities of the Japanese military outside the terms of the September 22 agreement including the present demand for police powers and the Governor General added that he had requested that Nishimura be recalled. On the other hand it is understood that the Japanese claim that the elimination of "anti-Japanese" elements was part of that agreement and that the French authorities have not fulfilled their agreement, hence the Japanese demand to take this matter in their own hands. Needless to say there is much agitation among the Chinese, a number of Chinese officials have hastily departed from Haiphong and few are confident that the French will long resist the Japanese demand.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai, Canton.

REED

740.0011 Pacific War/60 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, December 24, 1940—7 p. m.
[Received 8: 05 p. m.]

219. The British Minister who spent last week in Singapore in conference with British civil and military leaders has returned and has informed me that the British defense forces there and throughout southern Malaya are being materially strengthened against the threatened Japanese attack. He said he believes the Thai are being more and more drawn into the Japanese orbit and he has received

information that 25 additional Japanese airplanes have been delivered to the Thai. He said he also has heard a report, unconfirmed, that a total of 125 Japanese airplanes have been contracted for by the Thai, the purchase price being deliveries of raw tin and rubber, some of which it is believed is destined for Germany.

GRANT

893.48/2002a : Telegram

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

WASHINGTON, December 26, 1940—7 p. m.

554. Your 1325, December 17, 5 p. m.,⁸⁵ and Hanoi's 64, December 12, 6 p. m., and 68, December 18, 7 p. m.⁸⁶ If in your representations to the Foreign Minister on December 17 mention was not made of the Red Cross supplies reported in Hanoi's telegrams under reference, the Department suggests that in your discretion, by such means as you may deem appropriate, you express to the Minister for Foreign Affairs or other appropriate Japanese officials the opinion that interference with the movement of Red Cross supplies (incidentally, the contributions of American citizens made possible shipment of at least a part of the Red Cross supplies in question) would, in addition to being unwarranted on other grounds, be entirely inconsistent with humanitarian considerations.

Sent to Tokyo via Peiping. Repeated to Chungking and Hong Kong. Hong Kong repeat to Hanoi.

HULL

751G.92/138 : Telegram

The Minister in Thailand (Grant) to the Secretary of State

BANGKOK, December 28, 1940—7 p. m.

[Received 9 : 55 p. m.]

226. There is no present indication of bridging the gulf between the Thailandese and the French in the matter of the territorial controversy and some fighting continues on the frontier, having flared up again yesterday, according to press reports this evening, after a lull during the Christmas season. Monsieur Garreau is still waiting recognition by the Thai Government following submission by him to the Prime Minister and Minister of Foreign Affairs of a note to the effect that Foreign Minister Flandin has designated him (Garreau) as French Chargé d'Affaires with authority to enter into discussions with the Thailandese concerning the reopening of negotiations on the boundary question. So far no reply has been received, Garreau has

⁸⁵ Not printed; see correspondence between the Embassy in Japan and the Japanese Foreign Office, *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 299-300.

⁸⁶ Telegram No. 68 not printed.

informed me, and today the Deputy Minister of Foreign Affairs said that although the Prime Minister is giving consideration to the French note and has not yet reached a decision the Government would prefer to receive a direct communication from the French Foreign Minister in reply to Garreau's exact status.

GRANT

892.24/40: Telegram

The Chargé in France (Matthews) to the Secretary of State

VICHY, December 30, 1940—5 p. m.

[Received December 31—6:45 a. m.]

1197. My telegram 1178, December 23, 7 p. m.⁸⁷ Ostrorog, who in Chauvel's brief absence is Acting Chief of the Foreign Office's Far Eastern Division, gave me an informal memorandum this morning based on reports recently received here. They indicate that the following categories of arms and armaments have been supplied the Thai by Japan: In November 33 single seater "pursuit planes type 97 and 6 heavy bombers"; on November 23 the "Societe Showat Susho Kaisha" delivered to Thailand 12 light bombers and "several cases of incendiary bullets"; on December 3 the same company placed on board a Japanese ship headed for Thailand "a considerable number of cases containing arms, machine guns, rifles and mountain guns."

The memorandum adds that Thailand also "recently received 24 bombers and 200 tons of explosives" and that their authorities "are awaiting 40 antiaircraft guns"; that 150 tons of arms and ammunition, "including 4 light tanks were embarked at Yokohama on December 22 on the *Asakiyama Maru* bound for Thailand"; and that a contract of sale was signed on December 17 between the "Showat Susho Kaisha and the Thailand Government for the supplying of 70 tons of explosives to be delivered by March 17, 1941."

Ostrorog, who was obviously perturbed at the quantity of arms and munitions now, according to French information, being delivered by Japan to Thailand, stated that it seemed quite evident that the Japanese are preparing under some pretext or another some form of aggression against Indochina; that other indications and the presence of Japanese officers in Thailand show that they are now consistently inciting the Thais to further border incidents. I reminded him that some weeks ago (my telegram 914, November 8, 11 a. m.⁸⁷) Chauvel had felt that the withdrawal of Japanese troops from Kwangsi signified an abandonment of any plans for attacking Indochina.

His prompt explanation was that given the mountainous nature of the terrain in the area it would be much simpler for

⁸⁷ Not printed.

Japan to undertake the occupation of that colony by landing troops transported from the Island of Hainan where they are concentrated in large numbers to Haiphong.

I inquired as to Tokyo's explanation of all this and he said that a telegram had been sent 2 days ago to Arsene-Henry to let the Gaimusho know that the French are aware that Japan is supplying arms to Thailand. The quantity he said is so important that a "mere protest" would seem inadequate and Indochina is hardly in a position to go further.

So far, however, the Japanese Foreign Office is continuing its "game" of giving all sorts of assurances of understanding of France's present position and Japan's unwillingness to take advantage thereof. He cited as an example of this atmosphere of "cordiality" the recent speeches at the welcoming lunch to the French Economic Delegation which has arrived at Tokyo.

Ostrorog said that the foregoing showed the urgency of obtaining means of defense for Indochina if its present status is to be maintained—a fact which, he felt convinced, was entirely to the interest of ourselves and the British. He read me the latest telegram received from Henry-Haye following his [*sic*] receipt by him of the Vichy telegram reported in my 1178, December 23, 7 p. m.⁸⁹ and his subsequent conversation with the Under Secretary.⁹⁰ (He reported therein that he was seeing the Secretary the following day.)⁹¹ The Ambassador seemed relatively satisfied with his conversation though still inclined to the view that a settlement of the question of the airplanes on the *Bearn* is an essential prerequisite to the supplying of arms for Indochina. He reported that we have agreed to approach the British along the lines suggested by Chauvel to obtain their prior consent to the transfer of the planes in question to Indochina before the French are asked again to go to Wiesbaden.

The telegram likewise said that we have promised to help immediately in connection with the "250 Ford trucks which Admiral Decoux needs so urgently."

In conclusion Ostrorog referred again to the "incomprehensible attitude" of the British Minister at Bangkok. The French continue perplexed as to whether that attitude really represents the British Government's view or whether it is just "another case of too much zeal on the part of a small Colonial-minded administrator with which class the French have had so many previous difficulties even at times when their relations were the closest."

MATTHEWS

⁸⁹ Not printed.

⁹⁰ Memorandum of December 26 concerning this conversation not printed.

⁹¹ Memorandum of conversation, December 27, not printed.

UNDECLARED WAR BETWEEN JAPAN AND CHINA
POLITICAL AND MILITARY DEVELOPMENTS¹

893.20/708

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton) of a Conversation With the First Secretary of the
Chinese Embassy (Tsui)*

[WASHINGTON,] January 3, 1940.

I asked Mr. Tsui to call in reference to the subject matter of his conversation with Mr. Ballantine² on December 27³ relating to the Chinese Government's desire to obtain the services of American aviators as instructors for the Chinese Government's Aviation Academy at Kunming.

I told Mr. Tsui, with regard to officers on the active list of the American Army or Navy or with regard to reserve officers, that we should prefer to receive no request in the matter from the Chinese Government and that if we did receive such a request our attitude would have to be unfavorable. With regard to persons not connected with the American Army or Navy, I told Mr. Tsui that this was in our opinion a private matter between the Chinese Government and the American individuals. I said that I assumed that there was not involved any question of American citizens enlisting in the combat forces of the Chinese Government or participating in hostilities. Mr. Tsui said that this assumption was correct. I then suggested that the Chinese Embassy might care to get in touch with Colonel Jouett of the Aeronautical Chamber of Commerce. I said also that I had heard that Colonel Chennault, who is employed by the Chinese Government as an aviation adviser and instructor, was now in this country and might be of some assistance to the Chinese Government and the Chinese Embassy in their desire to obtain the services of properly qualified persons.

M[AXWELL] M. H[AMILTON]

Note: I had previously discussed this matter with Mr. Hornbeck⁴ who had expressed concurrence in the nature of the replies which I made to Mr. Tsui. M. M. H.

¹ Continued from *Foreign Relations*, 1939, vol. III, pp. 124-330.

² Joseph W. Ballantine, Assistant Chief of the Division of Far Eastern Affairs.

³ Memorandum of conversation not printed.

⁴ Stanley K. Hornbeck, Adviser on Political Relations.

851G.77/32

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

No. 419

CHUNGKING, January 4, 1940.

[Received February 5.]

SIR: I have the honor to enclose a memorandum dated January 2, 1940,⁵ of my interview with General Chiang Kai-shek⁶ on that day.

Summary of memorandum:

Referring to recent attempts of the Japanese to bomb the Indo-china-Yunnan Railway, General Chiang stated that measures would be taken to protect the line. It was indirectly learned that anti-aircraft guns were being installed. General Chiang thought that peace with Japan through negotiation was impossible. He thought that the transfer of the Japanese main offensive to south China would work to the advantage of China. He believed that part of their aim quite possibly was to threaten British and French possessions. He said that he could perceive no change in the attitude of friendliness and cooperation with China shown by the Soviet Government. General Chiang inquired whether, in Mr. Peck's personal opinion, Great Britain and France were receding from the position hitherto taken by them. Mr. Peck said that since those two nations were involved in serious war, it seemed to him impossible for anyone to predict in just what manner their Governments would feel themselves forced to meet various possible eventualities in the Far East. General Chiang thought the announcement of an American loan to China within the next ten days would cause the Japanese to abandon their plan to set up a puppet central government and to bring the military offensive to an end.⁷

Respectfully yours,

For the Ambassador:
WILLYS R. PECK
Counselor of Embassy

894.00/887: Telegram

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

Tokyo, January 5, 1940—2 p. m.

[Received January 5—11:30 a. m.]

4. 1. The following is a paraphrase of a telegram recently sent to London by the British Ambassador here⁸ touching upon four

⁵ Not printed.⁶ President of the Chinese Executive Yuan.⁷ See also pp. 636 ff.⁸ Sir Robert L. Craigie.

points embodying views and arguments reported by Lord Lothian⁹ as having recently been put forward by the Department, together with Craigie's comment thereon.

Point 1. The difference of opinion in Japan between the extremists and the moderates is simply one of methods and not of ultimate aims.

Comment: This opinion which is held by most journalists and writers on the Far East is superficial and requires much qualification. Although, of course, every Japanese is desirous of seeing his country's fortunes advanced, a distinction must be drawn between the moderates who are in favor of impartial gradual economic expansion through the control of vital raw materials and the development of markets overseas, as the means of solving the organic economic ills of Japan; and the extremists who, urged on by a mystical fanaticism, have world domination as their aim. The extravagant jingoism of this latter group is what we hope to see terminated once and for all at the conclusion of the present China adventure.

Point 2. Forces of moderation in Japan are less important than moderate elements in Germany.

Comment: This contention is hardly borne out by recent events in Japan where a tendency has been observable for the influence of the moderate and extremist elements to go forward or recede in alternate cycles. As a matter of fact the so-called Fascist movement experienced a serious setback during the first 6 months of 1937 as a result of the defeat of the Cabinets of Hirota and Hayashi,¹⁰ and attempts by the extremists to reestablish themselves by adventures in China have brought Japan to the present serious pass. A reaction in the direction of moderation has already commenced and the defeat of the proposal for a military alliance with Italy and Germany as well as the decision to reopen the Yangtze River constitute notable successes for the moderate element. A widespread demand again exists for more popular representative government. It is difficult on the other hand to find in Germany any leader of the sort who is not in a concentration camp.

Point 3. Frustration of the ambitions of the Japanese on the Asiatic mainland will not increase the likelihood of a Japanese drive southward as long as the American Government maintains its present attitude.

Comment: The danger in this connection is that too severe pressure from the United States, which would undoubtedly be successful if continued for a quarter of a century, might have the more immediate result of putting into power a government of extremist complexion

⁹ British Ambassador in the United States.

¹⁰ Koki Hirota and Gen. Senjuro Hayashi were Prime Ministers from March 9, 1936, to January 23, 1937, and from February 2 to May 31, 1937, respectively.

which would carry out a reorientation of the foreign policy of Japan. In such an event neither an effort to settle the China problem with Soviet cooperation nor an abandonment of the present attitude of neutrality toward the European Allied Powers is to be ruled out. Of course the latter would involve a threat to the interests of the Allies in the Pacific region. Submission to the policy of the United States as telegraphically reported (No. 911) to London by the Washington Embassy would entail a complete abandonment of the "new order in Asia" program and no Japanese Government could at present adopt such a policy and remain in office.

Point 4. A settlement of the minor disputes with the Japanese Government is not desirable as it would render insistence on major issues more difficult.

Comment: Such has not been our experience. The thesis suggests ignorance of the psychology of the Japanese. Minor [claims?] for compensation and minor questions which have arisen have created a resentment among the Japanese out of all proportion to their intrinsic magnitude and it would be altogether advantageous if the Government of Japan could be persuaded to settle them and thus bring about a better atmosphere for an approach to the major issues.

2. The remainder of Craigie's telegram is devoted to an appraisal of the internal situation in Japan and a development of the attitude which the British Government should follow in the light thereof and of present world conditions. The following is a full summarized paraphrase of this portion of the telegram:

The internal situation in Japan is deteriorating progressively as a result of political stagnation, commodity shortage, rising prices and market inflationary tendencies. However, no indications exist that the nation as a whole is yet disposed to recognize the error of its China policy, present difficulties being ascribed to governmental maladministration, interference by third powers, et cetera. We, therefore, believe that the deterioration referred to would be more apt to be followed by the induction into office of an extremist government which would reorient Japan's foreign policy either by the abandonment of neutrality or cooperation with the Soviet Union rather than as envisaged by the Foreign Office in its telegram to Lothian of December 17. Moreover, internal difficulties have become so formidable that were another moderate government to assume office, its continued existence would depend upon its achieving success in the field of foreign affairs, and it is for this reason that the present Government has attempted to improve relations with Great Britain and the United States. An extremist type of government on the other hand could achieve at least a temporary success and put off the day of reckoning by intensifying economic control and regimenting the nation—methods employed in Berlin and Rome. Those who welcome Japan's present economic difficulties should bear this in mind. Even though for different reasons, an accommodation with the Soviet Union and

departure from the policy would both ultimately spell failure for present Japanese policy in China, we could not contemplate aforesaid with equanimity as either would leave large areas of China exposed to Soviet penetration.

3. Reference is then made by Craigie to the policy outlined by the Secretary of State which was the subject of Lothian's telegram No. 911 to London, of the subject of which this Embassy is not apprised. Craigie informs his Government that he views that policy as too drastic for the present "delicately balanced situation". He adds that although if initiated a year ago, it might well have accelerated the present internal difficulties in Japan and at that time have tended toward a more moderate Japanese policy, at present with the European war in progress it is of the greatest importance, he asserts, to encourage the moderate tendencies here and less argument exists now for assuming the risk which would be involved by checking them through the adoption of too rigid a policy toward Japan. Present indications, he continues, are that Japan might be won over to a benevolent neutrality favoring the Allies, a development which he believes that the vast majority of Japanese would now sincerely welcome.

4. Craigie outlines in conclusion two courses which appear open to the British Government: (a) to continue to attempt to prevail upon the American Government to keep economic pressure against Japan within such bounds as will render tenable the position of the present Cabinet or similarly constituted ones: (b) to consider offering some form of compensation to Japan in fields independent of the China issue and thus, not only not conflict with American policy, but complement it. Finally Craigie observes that if the claims of the "have-not" powers are to be treated in the interest of world stability in a general post-war settlement any means which might be found during the early stages of the European conflict to offer Japan concrete evidence that her basic problems such as lack of raw materials, dependence on overseas markets, excess of population, et cetera, will be considered, would contribute to an early conclusion of the European war by eliminating potential dangers to the British position in the Far East and at the same time exert influence toward relieving Japanese pressure on China.

5. Although there are several points in Craigie's discussion with which I do not agree, I find that in the main his position is substantially that which I have taken in several recent telegrams, notably my 689, December 18, midnight.¹¹ I refer especially to those several portions of his telegram which take issue with the view that there is no important moderate body of opinion in this country, and that such

¹¹ *Foreign Relations*, 1939, vol. III, p. 622.

differences of opinion which may seem to exist relate simply to methods and not to ultimate aims. As Craigie points out, the ability of the last Cabinet to defeat the German proposal espoused by the Japanese Army for an alliance¹² has an importance which cannot be minimized, and the authoritative statements now being given out at frequent intervals that a political accord with the Soviet Union is not on Japan's program is further evidence that sanity and a sense of realism have not altogether disappeared. The Department will find in the pouch which went forward on December 23 my despatch No. 4359 of December 1.¹³ I say therein that to expect that the Japanese Army can be discredited in Japan and thus be deprived of its control over national policy would be illusory, as it is inextricably bound up with the fabric of the entire nation. I also say that it is one of the functions of diplomacy to encourage the revival in Japan of good will and constructive statesmanship and of the conduct of foreign relations in the manner with which the name of Shidehara¹⁴ is associated. The events of intervening years have created new problems some of which are not capable in my opinion of solution by orderly processes, but within that limitation the capacity of the army to control policy and the conduct of constructive diplomacy need not be mutually irreconcilable. Without basic alteration of the Japanese political system the army cannot be deprived of its control of policy, but conditions have existed in the past and it is hoped will exist again which prevented the exercise of such control in directions incompatible with international commitments and good statesmanship.

GREW

894.00/887 : Telegram

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

WASHINGTON, January 6, 1940—3 p. m.

9. Your 4, January 5, 2 p. m.

1. We are very glad to have the account contained in your telegram under reference of the report of the British Ambassador here, as communicated to the British Ambassador at Tokyo, of conversations held by him with various officers of the Department; also Craigie's comments on what was reportedly said to the British Ambassador here and your own general comments.

¹² See *Foreign Relations*, 1939, vol. III, pp. 1 ff.

¹³ *Ibid.*, p. 604.

¹⁴ Baron Kijuro Shidehara was Japanese Minister for Foreign Affairs from June 1924 to April 1927 and from July 2, 1929, to December 11, 1931.

2. The only conversations on Far Eastern matters which Mr. Welles or I have had with the British Ambassador during recent weeks which were considered to be of sufficient importance to make record thereof occurred on November 21,¹⁵ December 6,¹⁶ and December 15.¹⁷ Copies of the memoranda covering these conversations have been forwarded to you by pouch. The Department sent you no telegraphic report of the conversations because *inter alia* in the comments made by us there was nothing new as regards the attitude or policy of this Government.

3. With regard to the four points enumerated by Craigie, officers of the Department have, in the course of conversations with Lord Lothian here involving informal exchanges of views, made certain comments which would appear to have been made the basis for a part of Lothian's report under reference. The four points numbered in your telegram under reference were not given the phrasing, the emphasis, or the "slant" which is attributed or attached to them in Craigie's telegram as paraphrased in your report. We find no recollection anywhere of any statement comparing or contrasting forces of moderation in Japan with moderate elements in Germany. There was made a statement comparing the controlling elements. What one of our officers said with regard to the possibility of a Japanese drive southward was that he saw no reason for being immediately alarmed over that possibility while the Japanese continue to be heavily involved in China, while they possess substantial reserves of petroleum, while they have reason to desire to keep open their sources of supply from the United States, and while they have reason to believe that such a drive would involve them sooner or later in hostilities with one or more of the great powers. By no one was there made the statement which appears as point 4: question was raised whether the Japanese authorities were not calculating that by a settlement of the minor disputes they would be able to avoid necessity of meeting the desires of occidental governments with regard to matters of greater importance—a calculation which, if made, would be unfortunate in its effects and consequences.

4. Department is studying carefully the other portions of your telegram.

HULL

¹⁵ See memorandum by the acting Secretary of State on November 21, 1939, *Foreign Relations*, 1939, vol. III, p. 321.

¹⁶ See memorandum by the Under Secretary of State on December 6, 1939, *ibid.*, p. 96.

¹⁷ See memorandum by the Secretary of State on December 15, 1939, *ibid.*, p. 98.

793.94/15575 : Telegram

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

TOKYO, January 6, 1940—7 p. m.
[Received January 6—3:23 a. m.]

6. The French Ambassador¹⁸ in two strongly worded notes to the Foreign Minister¹⁹ on January 5 and 6 has protested against the bombing of the Yunnan Railway.

The first note directs the Minister's serious attention to large scale bombing attacks on December 30, January 1 and 2, and emphatically points out the unfavorable effect on present efforts in Tokyo and Paris for the adjustment of relations between the two countries caused by this entirely unwarranted bombing of property constructed and operated by a French company. Assurances of the taking of measures to prevent occurrence of similar incidents are requested and reservation of the right to obtain compensation is made.

The second note states that a fourth bombing on January 4 makes even more urgent the issuance of stringent orders to cease such attacks and calls attention to the grave injury which will be done to the relations between the two countries by the continuance of such acts.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking and Peiping.

GREW

793.94119/620 : Telegram

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

PEIPING, January 9, 1940—4 p. m.
[Received 10 p. m.]

13. The following is a summary of information from Chinese sources close to the local Provisional Government and is presented as of possible interest.

The Japanese military leaders in China with the possible exception of the "old rascal" group led by General Doihara which is now in the background since the death of their favorite Wu Pei Fu²⁰ earnestly desire peace but are split into two factions. One faction may be described as the "army" group led by Generals Nishio and Itagaki supported by General Hata²¹ in Japan; the second faction described as

¹⁸ Charles Arsène-Henry.

¹⁹ Adm. Kichisaburo Nomura.

²⁰ Marshal Wu, retired Chinese officer, died at Peiping in December 1939 without agreeing to Japanese inducements.

²¹ Gen. Shunroku Hata was Japanese Minister of War.

the "Asia Development Board" group is led by Generals Kita and Yanagawa backed by some older generals including Minami, Terauchi and Sugiyama, also supported by important Japanese business and financial leaders.

Although both factions desire peace and the end of the "incident", their plans for accomplishing these ends are different. The "army" faction feels that to negotiate directly with Chungking would be an admission of the failure of the Japanese military campaign in China and so they propose to set up a central government under Wang Ching Wei²² and let that government negotiate with Chungking; then, even if severe terms are demanded by Chungking and conceded by Wang Ching Wei's government, the army's "face" will be saved. The second or "Asia Development Board" faction, however, does not believe that Wang Ching Wei will be able to make peace with Chungking and wishes to deal directly with Chungking; this faction is not concerned with the army's "face" as it holds the army responsible for getting into the present "mess"; this faction has been for some time and is now secretly negotiating with Chungking for [an end to the war].

The "Asia Development Board" faction late last year started a movement to overthrow the Abe²³ Government in order to facilitate peace and because they felt that the proposed central government would only delay peace; they wanted a government under Ugaki²⁴ or others who would adopt a positive policy towards peace. The Abe Government alarmed at this movement discussed the matter with the "army" leaders and is now endeavoring to inaugurate the new central government as soon as possible in order to prevent further pressure by the "Asia Development Board" group. This is described as the "last desperate measure of the army group". Due to pressure from the second group the "army" faction is believed now to have conceded much more to Wang Ching Wei than was previously the case.

Although it is probable that the "army" faction will succeed in inaugurating the new central government under Wang Ching Wei, this move will only delay peace which otherwise might be possible this spring.

It seems significant that the local Japanese controlled Chinese language press in Peiping has recently been permitted to publish reported statements by Wang Ching Wei in regard to "lofty principles" and "mutual concessions" by China and Japan for peace which would not have been allowed a short time ago.

Repeated to Chungking and Shanghai, code text by airmail to Tokyo.

JOHNSON

²² Deputy leader of the Chinese Nationalist Party (Kuomintang) at Chungking until December 1938, and since in Japanese-occupied China.

²³ Gen. Nobuyuki Abe, Japanese Prime Minister since August 30, 1939.

²⁴ Gen. Kazushige Ugaki, former Japanese Minister of War and of Foreign Affairs.

793.94/15589 : Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

HANKOW, January 9, 1940—4 p. m.
[Received January 10—8:35 a. m.]

Central China at the beginning of 1940:

1. **Military.** It is unlikely that the Chinese can successfully challenge the present Japanese hold on Central China in the immediate future unless (1) they cut the Yangtze line of communications and employ their best troops and hitherto unused material in a determined and coordinated offensive or (2) developments elsewhere divert a substantial body of Japanese troops from this area. Although Chinese here speak hopefully of the fulfillment during February of the former contingency, this office believes that such expectations are premature, attribute to the Chinese a degree of coordination which they have not yet achieved, and underestimate Japanese tenacity.

2. **Economic.** Japanese and Chinese finance, commerce and industry exist and function only under Japanese military franchises. Rack-teering and the narcotic traffic flourish either as enterprises conducted by Japanese army personnel or with the tacit consent of the military authorities. The imposition of army fiat notes on the public is forcing Chinese national currency out of circulation and into the hands of the Japanese military. American and other foreign economic activities virtually do not and, unless there is an effective reversal of the army's policy, will not exist. It now seems evident that Japanese economic policy in Central China is directed at quick and extortionate exploitation of this area for the benefit of (1) the Japanese military forces, (2) Japanese business and, only incidentally, (3) Chinese deserving of Japanese favor.

3. **Political.** Chinese politicians working for the Japanese in Central China may be classified as (1) opportunists, (2) respectable non-entities whose financial resources are exhausted and who must secure employment, (3) intelligence agents, (4) senile Buddhist philanthropists, and in rural posts a high percentage of (5) opium addicts. None of them gives real credence to the naive and preposterous Japanese rationalizations of the invasion of China nor to promises of cooperation on a basis of equality under the new order. Only on the foregoing do the puppets agree; they are otherwise split into hostile cliques.

4. **Impasse.** The Japanese dilemma is that (1) their military action is inconclusive, (2) the Japanese cannot administer this area without Chinese cooperation, (3) the corrupt rapacity of Japanese economic exploitation discourages genuine Chinese cooperation: all theoretical concept of sovereignty aside, the Chinese themselves want the fruits of their own land. The Japanese are able on the other hand to derive

a degree of cold comfort from (1) the Taoist fatalism of the Chinese, (2) their undeveloped patriotism and low standard of living which forces large numbers of Chinese to trade with the enemy and accept his employment, (3) the continuing struggle for power among the various Chinese factions, not one of which is prepared to drain its strength in determined individual action against the Japanese so long as there exists the likelihood of civil war following a hypothetical Chinese victory.

Sent to Chungking, Peiping, Shanghai. Shanghai please mail code text to Tokyo.

SPIKER

893.01/598 : Telegram

The Ambassador in France (Bullitt) to the Secretary of State

PARIS, January 9, 1940—5 p. m.

[Received 5:30 p. m.]

36. The new Japanese Ambassador in Paris, Renzo Sawada, who was formerly Vice Minister of Foreign Affairs, called on me yesterday.

In the course of our conversation, he stated that he would like to keep me fully informed with regard to events in the Far East. I replied that I would be glad to receive information from him.

Sawada went on to say that a new Chinese Government under Wang Ching-wei would be set up in the immediate future. I asked him what agreements had been made with Wang Ching-wei for withdrawal of Japanese troops from Chinese territory. He replied that the Japanese troops would be withdrawn from Chinese territory only when Wang Ching-wei should have been able to establish an army and a police force sufficient to maintain order. The Japanese Government was confident that Wang Ching-wei would be able to group about him the "healthier" elements of "China". I suggested that the word "healthier" was perhaps inappropriate. The Japanese Ambassador agreed that it was and then described Wang Ching-wei and his followers in these words: "Those who believe that it is in the interest of China to cooperate with Japan for a brief moment."

Sawada stated that he thought that the present Japanese Government probably would fall before the meeting of the Diet. Sawada added that while Japan would make minor agreements with the Soviet Union dealing with such questions as the fisheries and the oil of northern Sakhalin, there would be no nonaggression pact or other far-reaching agreement between the Soviet Union and Japan.²⁵

BULLITT

²⁵ See also vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

893.50/189

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

[Extract]

No. 2443

PEIPING, January 10, 1940.

[Received February 5.]

SUMMARY

In carrying out their plans for attaining political and economic control of North China, the Japanese authorities are making use of a large number of state policy organizations which exercise a complete monopoly over every important branch of economic activity, including transportation, communications, industry, agriculture, and banking. Most of these organizations are joint-stock companies created by charter of the "Provisional Government". Their capital investments range from a few million to several hundred million dollars. They are supposed to be Sino-Japanese investments, but the Chinese portion is much smaller than the Japanese and, in most cases, represents Chinese properties seized by the Japanese. Although a Chinese has been put at the head of some of the larger organizations, all effective control is in Japanese hands. The immediate objectives of these organizations are (1) to provide transportation and supplies for the Japanese Army of occupation, (2) to produce, commandeered, or buy at low prices raw materials needed by Japan's home industries, and (3) to make of North China an exclusive preserve for Japanese business enterprises and a protected outlet for surplus Japanese products. The methods employed are the counterpart of those adopted in Manchuria. They are fundamentally opposed to the "Open Door" policy and, unless effectively challenged, will undoubtedly lead to the exclusion from this area of virtually all legitimate American trade.

Respectfully yours,

NELSON TRUSLER JOHNSON

793.94/15606 : Telegram

The Ambassador in France (Bullitt) to the Secretary of State

PARIS, January 15, 1940—7 p. m.

[Received 7:40 p. m.]

78. Chauvel²⁶ gave me to read today a telegram from Arsene-Henry, the French Ambassador in Tokyo, dated January 12, recounting a conversation that he had had the same day with Admiral Nomura, Japanese Minister for Foreign Affairs.

²⁶ Jean Chauvel, head of the Far Eastern Section, French Foreign Office.

"The Ambassador had called on the Minister for Foreign Affairs to protest against Japanese bombings of the French railroad from Indochina to Yunnan. The railroad has been bombarded 6 times at a point about 80 kilometers inside Chinese territory and bridge has been so severely damaged that traffic will be impossible over the railroad for some weeks."

In reply to the protest of the French Ambassador the Japanese Minister for Foreign Affairs said that the Japanese Government intended to continue bombarding the French railroad from Indochina until the French should stop sending supplies to Chiang Kai Shek.

The French Ambassador then stated that the action of the Japanese Government was totally illegal and improper and once more assured the Japanese Minister for Foreign Affairs of the fact that no military supplies whatsoever were going forward over the railroad.

The Japanese Minister for Foreign Affairs then stated that it was not simply a question of arms and ammunitions and strictly military supplies but also of all other material and supplies which might be of use to Chiang Kai Shek in carrying on war against Japan. The Japanese Minister for Foreign Affairs especially referred to the intention of the Japanese Government to continue bombing the French railroad so long as trucks and gasoline should be forwarded over the railroad to Chiang Kai Shek.

In brief, the Japanese Minister for Foreign Affairs made it clear that it was the intention of Japan to stop all traffic over this railroad.

The French Ambassador protested most earnestly against this statement of the Japanese Foreign Minister and pointed out that the French railroad from Indochina was the single means of access by which countries which had an absolute right to trade with China could reach the interior of China and that the Japanese Government was threatening to cut off a vital artery of international trade by totally illegal action. The Japanese Minister for Foreign Affairs, however, was unmoved by the protest of the French Ambassador.

The French Ambassador concluded the conversation by stating that he was certain that the French Government would react in a most vigorous manner against the policy which had been enunciated by the Japanese Minister for Foreign Affairs.

Chauvel then anxiously stated to me that in his opinion the proper answer to this Japanese action would be to send a few French pursuit planes to shoot down any bombers that the Japanese Government might send against the French railroad.

He intended to discuss this matter with Léger²⁷ this evening and obtain act [*action?*] of the most vigorous sort. He expected to com-

²⁷ Alexis Léger, Secretary General of the French Foreign Office.

municate to Saint-Quentin²⁸ the substance of the telegram that he had given me to read with a statement as to the course of action which the French Government had decided to pursue, for communication to the Government of the United States.

At this point I mentioned the fact that I had taken lunch with Mandel;²⁹ that Mandel had referred to the statements of the Japanese Foreign Minister and had pointed out that the cessation of trade over the railroad would interfere most seriously with American trade with China and had asked if in the course of further conversations on the subject of the trade treaty between the United States and Japan³⁰ it might not be possible for our Ambassador in Tokyo to mention our displeasure at a policy of the Japanese Government which seemed to be an attempt to cut off our trade with China by illegal action.

Chauvel said that he did not wish to make any such suggestion officially or crudely to the American Government but obviously the French Government would be very grateful for anything that the Government of the United States might do to preserve the right of all nations to trade by way of the railroad through Indochina.

While I was with Chauvel, Léger telephoned to say that Mandel had suggested to him that the Japanese should be permitted to send an observer to make certain that no military supplies were going forward over the French railroad at the present time. Chauvel expressed his entire hostility to any such action and expressed the opinion that it was based on a misapprehension on Mandel's part of the true situation. Mandel had not seen the telegram which he had shown to me and was not aware that the Japanese had announced their intention to cut off not only trade in arms and ammunition but also all trade over the French railroad to Yunnan.

He pointed out very clearly that at no time had Japanese troops been at a point within 200 miles of the French railroad. They had merely sent bombing planes to destroy it. A Japanese inspector could not be placed on the Chinese side of the line since the Chinese would kill him at once and the French Government could not with dignity permit the establishment of a Japanese inspector on the French side of the frontier.

Chauvel finally stated that he would recommend to Léger and Daladier³¹ that one or the other of them should send for the new Japanese Ambassador in Paris, Sawada, and say to him that the French Government had hoped that his arrival in Paris would be the

²⁸ French Ambassador in the United States.

²⁹ G. Mandel, French Minister for the Colonies.

³⁰ See pp. 625 ff.

³¹ Édouard Daladier, President of the French Council of Ministers (Premier), Minister of National Defense, and Minister for Foreign Affairs.

beginning of a new and happy era in French-Japanese relations. The French Government regretted to have to say to him that so long as the Japanese Government should maintain the position enunciated by Admiral Nomura in his conversation on January 12th with the French Ambassador in Tokyo, with regard to the intention of the Japanese Government to continue bombardments of the French railroad through Indochina, the French Government would be unable to have any conversations of any importance with him in Paris on any subject.

BULLITT

793.94119/622: Telegram

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

SHANGHAI, January 17, 1940—7 p. m.

[Received January 17—6 p. m.]

51. Activities of Wang Ching Wei.

According to a news release by Wang's news agency, Wang yesterday despatched telegram to Chiang Kai-shek referring to efforts during past year of Wang group and Japanese to bring about settlement Sino-Japanese difficulties and effect peace, stating: "Fortunately, both sides, having in mind the future prosperity of East Asia, have been willing to make concessions and so have arrived at a mutual understanding. The foundations of peace have been laid, and China will secure terms which not only will not lead to national extinction but will also preserve her independence and freedom and enable the reconstruction of the nation on the basis of the San Min Chu I (Three People's Principles) to be completed."

Wang therefore desired to present his views for Chiang's consideration. He held that there was no hope for victory through long term resistance, that the people of the country want peace, and that both the Chinese and Japanese desire that Japanese troops be withdrawn from China as soon as possible; "if you, however, continue to advocate armed resistance, how can evacuation (of troops) be talked about? War should be stopped now," he said, "where the task of restoring national strength would be the lighter, rather than after the vitality of the people has been further drained away by continued warfare."

Wang stated in conclusion that he would continue with his efforts to effect peace despite any opposition from Chiang, adding that: "If, however, you, putting the face of the nation and the livelihood of the people before all other considerations, would make a bold decision to end a futile war and to negotiate an honorable peace with Japan on the basis of the Konoye declaration,³² then it will be possible for myself

³² Statement of December 22, 1938, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 482.

and all the comrades to join with you in a united endeavour to secure the early and concrete realization of a nation-wide peace. In short, the fate and fortune of the state and the nation depend on this decision on your part. All the powers of the Chungking government are centralized in your hands. To make peace or to continue to fight can be decided by one word from you. The responsibility laid upon you is very heavy; so is the hope placed in you very earnest and eager."

It was reported in a press despatch from Tokyo on January 9 that the agreement to which Wang referred bore the following points.

- (1) Recognition by Wang's Government of Manchukuo;
- (2) Signature of Anti-Comintern Pact between Wang's régime, Japan and Manchukuo;
- (3) Japanese troops to be stationed in North China and inner Mongolia under anti-Comintern defense agreement;
- (4) Joint exploitation of China's natural resources;
- (5) Pledge by Japan to withdraw troops from South and Central China within 2 years from implementing peace agreement;
- (6) "Nationalization" of China's railroads.

That agreement is said to have been carried out by the Japanese Cabinet on January 8.

Announcement of the agreement was followed by report of fleeing from Shanghai to Hong Kong of three important Wang followers, Chen Kung Po, Kao Tsung Wu, Tao Hsi Sheng. Another prominent supporter, Ku Meng Yu, was reported to have visited Chungking. The Wang camp has known that any movements [*agreements?*] such as reported have been with the approval of Wang himself, but it is reported here that some disagreement in fact exists among the Wang supporters. The disagreement is said to be primarily over two unpublished peace terms, one requiring Chinese recognition of Nishihara loans³³ totaling with interest approximately 1 billion yen (considered by some of Wang's serfs [*adherents?*] to constitute a disguised war indemnity), the other reputedly envisaging issue of new currency and suspension of service of customs loans. It is reported that the peace terms have been submitted to Chiang. It is presumed that Chiang's reaction to the present *démarche* will depend partly upon (1) the present condition of cooperation between the Kuomintang and the Chinese Communists and (2) Chungking's estimate of the significance of the establishment of the Yonai³⁴ Cabinet and of Wang's chances for success in connection with his present program for the establishment of a new central régime.

It is currently reported here that conference of representatives of the Japanese-supported Chinese groups is to open at Tsingtao before

³³ Japanese loans negotiated in 1918 at Peking by Kamezo Nishihara.

³⁴ Adm. Mitsumasa Yonai became Japanese Prime Minister on January 16.

the end of January for the purpose of making preparations for the establishment of a new central political council, "which is the first stage of the formation and organization of the new Central Government."

Repeated to Chungking, Peiping, cipher text by air mail to Tokyo.

GAUSS

894.00/900

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

No. 2841

SHANGHAI, January 18, 1940.

[Received March 7.]

SIR: I have the honor to transmit herewith, as of possible interest to the Department, a record of the statements made by Mr. K. Obata of the American Affairs Section of the Japanese Foreign Office to Mr. Hallett Abend³⁵ when the former visited Shanghai. Mr. Obata was in China for a week or ten days and visited not only Shanghai but also Nanking, Tientsin and Peiping; he returned to Tokyo on January 9th.

It will be noted from the enclosure³⁶ that Mr. Obata discussed with Mr. Abend such matters as the power of the more radical Japanese Army elements, the establishment of a new central government under Wang Ching-wei and the Japanese Army blockade of the concessions at Tientsin.

As regards the first subject, Mr. Obata deplored the continued power and dominance of the radical Army clique and bewailed the inability of the more moderate elements in Japan, among which he included the Foreign Office, successfully to oppose this group or to initiate and carry through more conservative policies.

With reference to the establishment of a new central government under Wang Ching-wei, Mr. Abend expressed the opinion that the Japanese were "running the whole show wrong" and that the obvious manner in which Wang Ching-wei's every move, in connection with the establishment of a new régime, has been supervised and controlled by the Japanese has impaired his prestige in Chinese eyes and branded the word "puppet" more deeply across "Wang's brow." Mr. Obata apparently agreed that the Japanese had "mishandled" the "Wang Ching-wei affair" and not only expressed the view that it would be better to drop Wang Ching-wei but is said to have decided to urge upon Tokyo the abandonment of the whole scheme. He is also said to have made the somewhat astonishing proposal that Mr. Abend should proceed to Japan and urge upon prominent Japanese leaders,

³⁵ Chief, Far East Bureau of the *New York Times*.

³⁶ Not printed.

with whom Mr. Obata said he would arrange a secret meeting, the abandonment of the plan to set up Wang Ching-wei as the head of a new central government.

As regards the Japanese Army blockade of the concessions at Tientsin³⁷ and the stripping of British subjects, Mr. Obata is reported to have attributed these developments not to General Homma, Commander of the Japanese Forces at Tientsin but to "ruffianly younger officers" against whom General Homma was said to be "powerless".

While it is probable that many of Mr. Obata's statements were designedly made for effect, nevertheless they would appear to indicate growing dissatisfaction in some government quarters with the radical element of the Japanese Army and also with the methods employed to bring about the establishment of a new central government in China.

Respectfully yours,

C. E. GAUSS

761.93/1691

The Vice Consul at Yunnanfu (Perkins) to the Secretary of State

No. 18

YUNNANFU, January 18, 1940.

[Received March 7.]

SIR: I have the honor to report that I have learned from a reliable and informed American source that Russian aviators took part in the recent air fighting around Liuchow, Kwangsi, Russian planes being used. My informant stated that he has definite information that two wounded Soviet pilots engaged in that sector were carried to Chungking by China National Aviation Corporation plane following a recent large-scale battle. He stated further that the Russians now fighting in Kwangsi are reportedly greatly inferior in ability to those engaged on the Chinese side earlier in the hostilities, the presumption being that first-string fliers are either employed on the European front or are being held in reserve for possible activity there. No estimate can be given of the total number of Soviet aviators engaged in the Kwangsi sector.

Respectfully yours,

TROY L. PERKINS

793.94/15635

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

[WASHINGTON,] January 20, 1940.

The French Ambassador called on me on January 18 and read to me a number of telegrams which he had received from his Foreign

³⁷ See pp. 840 ff.

Office. The most important of these was a telegram giving an account of the controversy between the Japanese and the French Governments over the question of the Japanese bombing of the Yunnan railway: the French Government was protesting against the bombing, and the Japanese Government was demanding that the railway be closed to the carrying of goods into China.

This morning Mr. Truelle³⁸ called on me. Mr. Truelle said that his Ambassador was in New York and that the Embassy had instructions to inform the State Department of the contents of a telegram of which he would now inform me. He then read in translation the telegram giving an account of the reply which the French Government is making to the Japanese. The French Government discussed argumentation which the Japanese Government had presented in which there appeared reference to the existence of a "state of war" between Japan and China. The French Government said that, in as much as the Japanese Government had deliberately refrained from declaring war or a state of war, the French Government was under no obligation to Japan on the score of a belligerent status and that the French Government's obligations to China were those of the Covenant of the League³⁹ and none inconsistent therewith. It emphasized the importance of the railway as a channel of international trade with China. The communication was throughout strong in tone, typically French in logical exposition, and unyielding in substance.

Mr. Truelle asked how I "liked" it. I replied that it sounded to me very interesting and that I was glad to know that the French Government took the position indicated. I asked whether the communication had been made to the Japanese Foreign Office in Tokyo or to the Japanese Ambassador in Paris and whether it had been made in writing or made orally. Mr. Truelle said that the telegram was a record of what had been spoken orally to the Japanese both in Tokyo and in Paris. He volunteered to send me a summary. I thanked him and said that we would be very glad to have a summary.

There followed a brief conversation regarding the situation in the Far East, in the course of which I made the observation that, as Mr. Welles had indicated to the French Ambassador some time ago,⁴⁰ we do not share the alarm which has been felt in some quarters over the possibility or the potentialities of a conceivable Japanese-Russian *rapprochement* nor do we regard as at all likely in the near future a conceivable operation by Japan against the Dutch East Indies.

S[TANLEY] K. H[ORNBECK]

³⁸ French Counselor of Embassy in the United States.

³⁹ For text, see *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, pp. 57, 69.

⁴⁰ See memorandum of December 21, 1939, *Foreign Relations*, 1939, vol. III, p. 99.

893.01/638 : Telegram

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

SHANGHAI, January 20, 1940—10 a. m.

[Received January 21—4:33 a. m.]

Separately I am telegraphing text of message addressed to Chiang Kai Shek by Wang Ching Wei as published in local press January 17.⁴¹ With reference to this message Dr. Chu Min-yi, adherent of Wang Ching Wei and former member of Central Supervisory Committee of the Kuomintang, came to see me afternoon of January 19 and handed to me an unsigned memorandum quoted textually in my January 20, 8 a. m.⁴² Text of penultimate paragraph seems to indicate that it is a copy of a memorandum prepared for and probably handed to the British Ambassador.⁴³ Dr. Chu told me that he had seen the British and French Ambassadors⁴⁴ prior to their recent departure for Chungking and had explained to them Wang's ideas and had received what he called assurances of their interest in peace and their willingness to promote peace. Dr. Chu entered upon a long explanation of Wang's disinterested zeal for the establishment of a peace that would preserve a united China, an independent China, and his belief that Japan was willing to make a peace that would ensure China's independent existence. He referred to Wang's telegram to Chiang as an indication by Wang of his desire to serve China even to the point of stepping aside in favor of Chiang if the latter were prepared to make peace with the Japanese.

I asked him whether Wang had negotiated a peace agreement with the Japanese. He said that representatives of Wang on one side and representatives of the Japanese on the other had carried on negotiations and had agreed on the general principles that would underlie such a peace. I asked whether the terms of such a settlement had been published and he said they had not as yet—that there were certain details yet to be settled. I asked whether Chungking had been informed of terms thus agreed upon and he said that he did not know whether Chungking had been informed or not. I inferred that Chungking had not been informed and made the mental note that the telegram which Wang had sent to Chiang Kai Shek and which has been published here in the Japanese-controlled press was intended for consumption in Japan and perhaps for the purpose of embarrassing Chiang rather than as any really honest attempt to bring about agreement and that as such it has probably been worded and des-

⁴¹ Not printed, but see telegram No. 51, January 17, 7 p. m., from the Consul General at Shanghai, p. 265.

⁴² Not printed.

⁴³ Sir Archibald J. K. Clark Kerr.

⁴⁴ Henri Cosme was French Ambassador in China.

patched and published at the dictates of the Japanese and to serve Japanese purposes. I remarked to Dr. Chu that I understood that the Japanese expected Wang to head an independent government at Nanking.

Dr. Chu stated that of course if Chiang refused to come out and make peace with Japanese, Wang would have to take on the burden himself. He labored to explain that the government which Wang would establish would be the legal heir of the Government at Chungking which would have forfeited the right to speak for the Chinese people; that he would not head a puppet regime such as that set up at Peiping or in Manchuria; that he had no intention of making such a peace as would result in the extinction of China, as had been the case with Abyssinia. He said in conclusion that he had come to see me to explain to me the patriotic purposes of Wang Ching Wei in the hope that I in turn would explain this to my Government and also to the Government at Chungking; he also expressed the hope that the American press would change its tone and cease referring to Wang as a traitor and a puppet.

After reading the memorandum that Dr. Chu presented to me, I said to him that I inferred that he and Wang Ching Wei thought perhaps that my Government was interested in meddling in the domestic political situation in China. I said that I desired at the outset to disabuse him of any idea that my Government was interested in any way in the domestic affairs of China; that, while I would be glad to inform my Government of what he had told me, I could not act as Wang Ching Wei's ambassador to the Government at Chungking or in any way be held by Wang Ching Wei responsible to Chungking for the integrity of Wang Ching Wei or his purposes. During the course of the conversation Dr. Chu had several times referred to the fact that Chungking was playing closely with Soviet Russia, evidently implying that in some way Chungking was thereby betraying the interests of the United States and other democratic powers.

I stated that we were not concerned with the relations that the Chinese Government might establish with other friendly states; that the United States maintained friendly relations with Soviet Russia and with Japan and that we had always had friendly relations with China over a long period of time and that we hoped that these relations would continue on a friendly basis, our sole interest being in the encouragement of business and trade between our people and the people of the rest of the world on a basis mutually satisfactory; that we were not interested in setting up positions based on privilege or force; and that I was much puzzled by the fact that Dr. Chu was telling us that Chungking was betraying our interests by a more close relationship with Soviet Russia and Japan was telling us that unless

we could be more friendly toward Japanese aspirations Japan would have to seek more friendly relations with Soviet Russia.

I concluded the conversation by thanking Dr. Chu for his visit and saying once more that we yielded to no one in our interest in the re-establishment of peace in the East; that it was our hope that a strong, independent and united China would continue to exist, capable of defending its rights, a China with which we might deal directly on a basis of equality and mutual interest along the friendly lines that had characterized our relations with China for the past hundred years and more.

I infer from the conversation and from the text of the memorandum that Wang has agreed to head a new government; that the telegram which he despatched to Chiang is intended to give the new government a place as negotiator for peace for the Chinese people, as it is anticipated that Chiang will refuse to accept the role offered by Wang; that this new government will sign a peace agreement with Japan granting Japan a large share in the state controlled industries by way of the much discussed economic cooperation; that this settlement will be presented to the world and to the people of Japan as a settlement of the China incident and the restoration of peace; that the Chungking Government and its supporters will be declared outlawed by its refusal to negotiate for peace; and that any third powers refusing to recognize the new government will be penalized. Type of Sino-Japanese economic cooperation through establishment of state controlled industries is clearly described in the following mail despatches: No. 398 from Mukden dated October 5; No. 2070 [2742?] from Shanghai dated December 11;⁴⁵ No. 2443 from Peiping dated January 11 [10].

Repeated to Chungking and Peiping. Code text by air mail Tokyo.

JOHNSON

893.01/642 : Telegram

The Ambassador in Italy (Phillips) to the Secretary of State

ROME, January 21, 1940—10 p. m.

[Received January 21—7: 11 p. m.]

46. This afternoon the Chief of the Foreign Press Bureau telephoned to the American correspondents to advise them of an important communiqué which had just been issued, at the same time emphasizing that it was in relation to "peace" in the Far East. The Italian text of the communiqué will not appear until tomorrow afternoon's editions

⁴⁵ Neither printed.

but the following is a rough translation furnished me this evening by our correspondents.

Ciano ⁴⁶ to Wang Ching Wei.

"According to information reaching me from Japan it is confirmed that you have agreed to constitute the new Chinese Government. I am sure that under the high guidance of Your Excellency, China at peace with the great neighboring Japanese Empire will know a new era of prosperity and progress. Mindful of our cordial relations and personal friendship I want to give you my heartiest felicitation and assure you that Fascist Italy is ready to offer to your work of national reconstruction its comradely collaboration."

Wang Ching Wei to Ciano:

"I have received Your Excellency's telegram which deeply touched me. Like all judicious people in China and Japan I am convinced that the continuation of the Chinese-Japanese war can only bring misery to the two countries. Hence we desire peace and hope to put Sino-Japanese relations on a new basis and so to clear away all past errors between Japan and China.

I am firmly determined to follow this aim with all my determination and strength. While working towards this objective I have received Your Excellency's telegram which profoundly moved and greatly encouraged me. In thanking Your Excellency for the offer of collaboration which I appreciate at its full value I renew the expression of my personal friendship and forward my whole-hearted wishes for the prosperity of your great Fascist Fatherland."

PHILLIPS

893.01/601: Telegram

The Ambassador in Italy (Phillips) to the Secretary of State

ROME, January 22, 1940—2 p. m.

[Received January 22—9:35 a. m.]

49. At my request the Chinese Chargé d'Affaires called upon me this morning and we discussed the situation as conveyed to you in my 46, January 21, 10 p. m. He has asked for instructions from his Government but assumes that he will be recalled and the Embassy closed. He said that his colleague in Berlin did not know whether any similar step by Germany was being contemplated.

The Chargé expressed the opinion that the new Japanese Government ⁴⁷ may have felt the need of some quick move to strengthen its own position among the Japanese people and that this could be done readily by the setting up of the Wang puppet government in China. Naturally the recognition by another foreign power of such a regime would be helpful. Italy had responded affirmatively. He thought

⁴⁶ Count Galeazzo Ciano, Italian Minister for Foreign Affairs.

⁴⁷ Adm. Mitsumasa Yonai, Prime Minister.

that Italy probably considered her action in being the first foreign power outside of Japan to recognize Wang as adding to her own prestige but neither of us can guess what Italy receives from Japan as *quid pro quo*. The Chargé does not believe that Italy's move has any bearing upon her anti-Soviet sentiments.

I appreciate fully that the Italian Government's action runs counter to our own policy and it may well be that you desire me to express your views and those of the President personally to Ciano.

PHILLIPS

893.01/601 : Telegram

The Secretary of State to the Ambassador in Italy (Phillips)

WASHINGTON, January 23, 1940—5 p. m.

15. Your 49, January 22, 2 p. m. The Department is sending you separately for your information an excerpt from a telegram sent by the Department on November 13 to Tokyo⁴⁸ in which there is expressed this Government's views in regard to the proposed establishment of a new Chinese régime. The Department suggests that, at some opportune moment, you take occasion to communicate orally to Ciano, as a matter of information and without implying any criticism of the Italian attitude as exemplified in Ciano's telegram to Wang Ching-Wei, that expression of this Government's views.

HULL

893.01/646 : Telegram

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

CHUNGKING, January 24, 1940—2 p. m.

[Received January 25—1: 13 a. m.]

41. Following is summary, released by Central News late yesterday, of General Chiang Kai Shek's "message to the people of friendly powers" on subject of Wang Ching Wei's alleged agreement with Japanese:

"On the 22d of this month there was first published in Hong Kong the secret agreement recently concluded by Wang Ching Wei with the Japanese, covering 'the fundamental points for the readjustment of Sino-Japanese relations.' While an agreement by an expelled traitor naturally holds no validity, yet the document is of striking significance. It confirms by Japan's own mouth the fact that whatever professions or protestations, her traditional policy of conquest could no more be changed than the leopard could change its spots.

⁴⁸ See telegram No. 349, November 13, 1939, 8 p. m., to the Ambassador in Japan, *Foreign Relations*, Japan, 1931-1941, vol. II, p 34.

The spirit of this so-called agreement for the new order in Asia speaks for itself. As revealed in the Twenty-one Demands,⁴⁹ and later the Tanaka Memorial,⁵⁰ which has as its theses: 'In order to conquer the world, Japan must first conquer China; in order to conquer China, Japan must first conquer Manchuria and Mongolia,' the present policy of Japan as so badly indicated in the agreement is the complete military, political and economic domination of China, making of her a Japanese protectorate in all but name. If there were any doubters, it must now be clear to all that so long as the Japanese militarists dominate their country, the policy of aggression and conquest would remain unchanged. And from the conquest of China, and the utilization of her man power and resources, it is but a short step to the conquest of Indochina, Malay Peninsula, the East Indies, India and the Philippines, and to the hegemony of the Pacific, which was clearly outlined in the Tanaka Memorial.

China has long realized the immutable aims of the Japanese militarists, and have taken up arms in resistance regardless of the odds against her. We have been engaged in more than two and [one] half years of ruthless warfare enduring untold sufferings. Yet in our resistance against Japan we are fighting not alone for ourselves but against grandiose Japanese ambitions which take all nations in their purview.

Besides the domination of China with all that it entails, how meaningless are the gestures with which Japan in her desperation is now tempting the powers, such as the 'opening of the Yangtze' under Japanese military supervision, the elimination of the Manchurian-Mongolian boundary, and the cessation of the Tientsin blockade!

I trust the implication of the agreement is clear, and that the friendly foreign powers will immediately take positive measures to help China, and to refrain from furnishing Japan with the resources to conquer China. It goes without saying that they should also refrain from any measure, which in the exigencies of the moment they may be tempted to take, that may weaken Chinese resistance, which is clearly so vital to maintain in the common cause of mankind."

Following is translation of part of concluding paragraph of message, full text of which is carried in today's vernacular press:

"At this juncture, when Japan is on the verge of exhaustion, the statesmen of the powers can, without much effort, get rid of this common danger once for all in the Pacific. Should they tolerate the continual expansion of Japan, they would never be able to avert the impending catastrophe, even at the sacrifice of millions of lives and billions of dollars. Nor would they ever be able to exonerate themselves from their responsibility before the bar of history, both with respect to the safeguarding of the vital interests of their own country and with respect to the preservation of the civilization and peace of mankind."

⁴⁹ See *Foreign Relations*, 1915, pp. 79 ff.

⁵⁰ A document dated July 1927, which was ascribed to Gen. Baron Gi-ichi Tanaka, Japanese Prime Minister, 1927-29.

Repeated to Peiping, Hankow, Ambassador [on] U. S. S. *Luzon*.
Peiping please repeat to Tokyo.

PECK

893.01/647 : Telegram

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

SHANGHAI, January 24, 1940—4 p. m.

[Received 5:14 p. m.]

69. My 60, January 22, 1 p. m.⁵¹ Wang Ching Wei organ *Central China Daily News* yesterday carried denial by Wang's private secretary that document disclosed by Kao Tsung-wu and Tao Hsi-sheng constituted agreement signed with Japanese on December 30, secretary stating that it was, instead, a Japanese proposal midway in the negotiations and that the disclosure was prompted by (1) a desire to curry favor with Chungking and (2) ignorance of Kao and Tao of full import of results of most recent negotiations. He stated that the peace terms would "eventually" be made public. Editorial in the same newspaper alleged that the two politicians were bought over by Chiang Kai-shek, and that the latter was swindled in the deal. It was further stated that the agreement signed constitutes preamble for a peace treaty but not the treaty itself, which will be signed by the new Central Government; and that "The result of peace discussions is a loss, but the results of the war of resistance would be annihilation of the country: the people of the nation well know which to choose and which to discard."

The admission that the document published by the two Chinese politicians at least constituted a Japanese proposal and the recognition by the editorial writer that the peace terms will be onerous leads one to the deduction that the agreement between Wang and the Japanese includes more than thus far made public (see Shanghai's 51, January 17, 7 p. m.). Chinese circles consider that the agreement probably approximates the published document and it is pointed out in support of that deduction that Kao Tsung Wu was Director of the Bureau of Asiatic Affairs when Wang Ching Wei was Minister for Foreign Affairs⁵² and that he then and subsequently participated in Wang's negotiations with the Japanese, until recently when he is reputed to have been supplanted by Chou Fu Hai. The evidence indicates that Wang has yielded considerably to Japanese pressure and that his camp has suffered a split as a result. Chen Kung Po is reported to be at present in Hong Kong, presumably waiting to discover current political tendencies before taking a definite stand one way or the other.

⁵¹ Not printed.

⁵² 1933-35.

Tang Leang Li and Chou Fu Hai on the other hand appear to be standing by Wang, and the former is reliably quoted as stating that it is pointless to propose fighting until the last Japanese soldier leaves Chinese soil—and he implied that it would be preferable to make peace with Japan and endeavor to recoup losses through cooperation with that country.

Despatch follows.⁵³

Repeated to Peiping, Chungking. By air mail to Tokyo.

GAUSS

893.01/604 : Telegram

The Ambassador in Italy (Phillips) to the Secretary of State

ROME, January 25, 1940—9 p. m.

[Received January 25—7 p. m.]

62. This morning I read to Ciano your views regarding the new "central" Chinese regime as contained in your 16, January 23, 6 p. m.⁵⁴ and explained that I was doing so not in criticism of the Italian Government's recent action but to point out to him the American Government's position. Ciano explained his action along the following lines: Wang Ching Wei had been living for some time in an Italian Concession and had sent a telegram expressing his thanks to Ciano for Italian hospitality. The latter's telegram to Wang was in reply to this first message and Wang's published telegram was his reply to Ciano. It was at Wang's request that both telegrams had been published. The Minister reminded me that he was now and at all times utterly opposed to communism, that Chiang Kai-shek was cooperating more and more with the Soviet Government, that Wang Ching Wei was strongly anti-Communist and that therefore the Italian Government could not but be sympathetic to his aspirations. Ciano believed that Wang's support was gaining and with that of the Japanese Government he would eventually succeed in his undertaking. He emphasized that his own support of Wang should not be interpreted in any way whatsoever as anti-American and from his attitude I doubt whether it even occurred to him to give consideration to our position.

In reply to my inquiry as to what if any relationship he would have with the Chiang Kai-shek Government, he reminded me that the Italian Ambassador appointed a year and a half ago had never presented his letters in Chungking and that there was no Ambassador from Chiang Kai-shek in Rome.

⁵³ No. 2899, February 6, not printed.

⁵⁴ Not printed; it reported Department's telegram No. 349, November 13, 1939, 8 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 34.

The Department realizes that Italy's interests in China are confined largely to the ports and as these are now under the control of Japan the Italian Government appears to have lost all interest in developing relations with Chiang Kai-shek.

I am inclined to believe that Ciano's telegram was sent with a view to reenforcing Japan's anti-Communist policy at home and in China and perhaps without giving much thought to the impression it would make upon other interested governments.

The Chinese Chargé informs me that he has received instructions from Chungking to prepare to leave Rome but to await final instructions before doing so as the matter is still under consideration by his Government.

PHILLIPS

893.01/617

*The Chinese Ambassador (Hu Shih) to President Roosevelt*⁵⁵

AIDE-MÉMOIRE

1. General Chiang Kai-shek acknowledges the receipt of the letter of the President of the United States, dated November 9 [10], 1939,⁵⁶ and the telegram of the President,⁵⁷ transmitted by the American Embassy, in reply to his telegram of December 19, 1939,⁵⁸ and thanks the President for the same.

2. General Chiang feels deeply grateful to the President for persuading sometime ago the Premier of the French Republic to maintain an attitude of consistent and continuous assistance to China with regard to transportation facilities over Indo-China, and is happy to inform the President that conditions have now somewhat improved.

3. General Chiang hopes that the President will, after the expiration of the American-Japanese Treaty of Commerce and Navigation of 1911,⁵⁹ use his best efforts to curb Japanese aggression and render all assistance possible to China, as General Chiang had intimated in his letter⁶⁰ brought in person to the President by Dr. W. W. Yen. General Chiang also hopes that, especially as China's finances will meet with increasing difficulties with the approach of February, the

⁵⁵ Handed to President Roosevelt on January 27 by the Chinese Ambassador in company with W. W. Yen.

⁵⁶ *Foreign Relations*, 1939, vol. III, p. 714.

⁵⁷ See telegram No. 245, December 29, 1939, 7 p. m., to the Ambassador in China, *ibid.*, p. 720.

⁵⁸ See communication of December 19, 1939, from Generalissimo Chiang Kai-shek to President Roosevelt, *ibid.*, p. 717.

⁵⁹ Signed at Washington, February 21, 1911, *ibid.*, 1911, p. 315. For notice of termination, see Department's note of July 26, 1939, *ibid.*, 1939, vol. III, p. 558.

⁶⁰ See Generalissimo Chiang's letter of July 20, 1939, *ibid.*, p. 687.

President will see his way to render immediate financial assistance to China.

4. General Chiang wishes to inform the President that the text of the secret treaty entered into by Wang Ching-wei and the Japanese, as published in Hongkong on January 22, is strongly supported by external evidence and, as far as his knowledge goes, is absolutely authentic.

5. With the publication of the Wang-Japanese secret agreement, General Chiang earnestly hopes that the United States Government, or the President himself, will in one form or another make known publicly and solemnly the attitude of the United States, as hitherto consistently maintained, as regards this matter and the proposed new puppet government which Japanese machinations have been busily engaged in making. In General Chiang's opinion, such a declaration will not only raise the morale of the Chinese people, soldiers and civilians alike, but will also serve as a great blow to Japanese militarist ambitions, thereby contributing in no small degree to the benefit of Chinese resistance and the general situation in the Far East.

WASHINGTON, January 26, 1940.

793.94/15575 : Telegram

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

WASHINGTON, January 27, 1940—3 p. m.

36. Your 6, January 6, 7 p. m. The Department is informed that in a recent communication to the French Government the Japanese Government requested that the French Government close the Indo-chinese frontier to all transit and stated that if this request should be refused the Japanese would continue to bomb the railway and would reject all responsibility for damages caused thereby. It is understood that the French Government has replied to the Japanese Ambassador at Paris *inter alia* that the Japanese Government has carefully refrained from declaring war on China; that Japan is, therefore, not qualified to claim belligerent rights; that the French Government is not bound by any legal obligation to Japan in regard to the transit of war materials through French Indochina; and that, if the frontier should be closed, the French Government would be compelled to stop exportation toward Japan of certain products. The Department is further informed that the French Ambassador to Tokyo was instructed to make a similar reply to the Japanese Foreign Office. Please mail cipher text to Peiping and Chungking.

HULL

793.94/15636: Telegram

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

Tokyo, January 28, 1940—7 p. m.

[Received January 28—10:42 a. m.]

58. Department's 36, January 27, 3 p. m.

1. The French Counselor informed me today that on January 25 he discussed informally with the Foreign Office the reply which the French Government recently made to the Japanese Ambassador at Paris. A summary of this reply has been made available to me by my French colleague.

2. The official with whom Baron Fain discussed the matter stated that the reply of the Japanese Government had not yet been formulated and that a committee had been established to study the question. Speaking "quite personally" the official indicated that the Japanese reply might be expected to bring out the following points: (a) In reference to the French contention that Japan is not qualified to claim belligerent rights, the Japanese Government will assert that a *de facto* war is in progress and that therefore belligerent rights should accrue to Japan; (b) that the Chungking Government is no longer a national government but has been reduced to the status of a local régime.

3. In the opinion of Baron Fain, the Japanese are much concerned over the possibility of a rupture in the commercial relations with France, which would include not only an embargo on French exports to Japan but the closing of French markets to Japanese goods, and over the unwillingness of the French authorities to grant permission for Japanese commercial planes to fly over Indochina en route eastwards.

Cipher text by mail to Chungking and Peiping.

GREW

893.01/612: Telegram

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

CHUNGKING, January 29, 1940—3 p. m.

[Received January 29—7:58 a. m.]

52. The French Ambassador in two recent conversations has informed me that he thought the Wang Ching-wei puppet central government would be set up within a few weeks.

He believed that its creation would not change the situation anywhere but on the coast and at Hankow; he felt that the so-called government with Japanese backing would make demands that would involve France in serious difficulties in connection with the French Concessions at Tientsin and Hankow; also that he had frankly stated

to the Chinese authorities that the policy of his Government with respect to the Chinese Government was absolutely unchanged but that if military threats were made against Indochina to obstruct transportation France could not send armed forces and would be obliged to take notice of Japanese demands.

I have received the impression from observations like that of the French Ambassador and from indications of British interpretation of Japanese pressure at Tientsin that while both nationalities are sympathetic with American policy as exemplified by the denunciation of the 1911 treaty they feel that in regard to immediate pressure from Japan their Far Eastern possessions make their position far more vulnerable than is that of the United States.

Repeated to Shanghai, Hankow, Peiping, latter please mail to Tokyo.

PECK

893.01/617

The Secretary of State to President Roosevelt

[WASHINGTON,] January 30, 1940.

MEMORANDUM FOR THE PRESIDENT

Reference *aide-mémoire* handed to you January 27 by the Chinese Ambassador in company with Dr. W. W. Yen, and your query whether there is any need to do anything in reply.

It is our judgment that the *aide-mémoire* does not call for a reply. The only matters discussed in the *aide-mémoire* not mentioned in recent communications to you from General Chiang Kai-shek are: (1) the terms reputedly agreed to between Mr. Wang Ching-wei and the Japanese, and (2) General Chiang's request that this Government make known its attitude toward the projected Wang Ching-wei régime. No reply specifically on the question of the first point would seem to be needed. The question whether this Government should make some sort of declaration in regard to the projected Wang régime is being given careful study in the Department. It is believed that while a statement by the President would not seem to be called for, a statement by the Secretary of State, perhaps in the form of a formal reservation of rights, may probably be found advisable some time in the course of the development of this situation. The Department will continue to give careful attention to this matter.

The original of the *aide-mémoire* and the text of the reputed agreement of December 30, 1939, between Wang Ching-wei and the Japanese⁶¹ are returned herewith.

⁶¹ Latter not printed.

793.94/15614

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Pittman)

WASHINGTON, February 2, 1940.

MY DEAR SENATOR PITTMAN: I acknowledge the receipt of your letter of January 18, 1940,⁶² transmitting S. Con. Res. 36⁶³ for my consideration and any recommendation or report I might feel disposed to make.

I note that the concurrent resolution provides that the Congress shall find that "a state of war exists between the Empire of Japan and the Republic of China, and that it is necessary to promote the security and preserve the peace of the United States and to protect the lives of citizens of the United States", and requests that the President issue a proclamation under section 1 of the Neutrality Act of November 4, 1939.⁶⁴

Although hostilities have been in progress in the Far East for two and one-half years, the Executive Branch of the Government, which has given the most constant and careful consideration to the problem, has at no time perceived any reason to believe that the application of the neutrality Act of May 1, 1937,⁶⁵ or the Act of November 4, 1939, to that conflict would be likely to contribute to the promotion of the security and the preservation of the peace of the United States or to the protection of the lives of citizens of the United States.

I am, therefore, of the opinion that the proposed finding of the concurrent resolution that "it is necessary to promote the security and preserve the peace of the United States and to protect the lives of citizens of the United States," by issuing a proclamation in regard to the Far East under section 1 of the Neutrality Act of November 4, 1939, is not in accordance with the exigencies of the situation and that the concurrent resolution should, therefore, not be adopted.

Sincerely yours,

CORDELL HULL

793.94/15647: Telegram

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

TOKYO, February 3, 1940—8 p. m.

[Received February 3—2: 25 p. m.]

80. 1. A prominent Japanese whose name is given in a subsequent telegram,⁶⁶ expressed desire a few days ago to have a frank talk with

⁶² Not printed.

⁶³ Introduced January 16, by Senator Gillette, Iowa; *Congressional Record*, vol. 86, pt. 1, p. 355.

⁶⁴ Approved November 4, 1939; 54 Stat. 4.

⁶⁵ 50 Stat. 121.

⁶⁶ Adm. Kichisaburo Nomura, recently Minister for Foreign Affairs.

me as soon as possible but as I was confined with bronchitis I arranged for him to meet a member of my staff.⁶⁷ There will be found in the following paragraphs an outline of the important points brought up by this Japanese during the conversation, which took place on January 31. I concluded that the correctness of the estimate of this Japanese of the internal situation would depend largely upon the accuracy of his prediction that there would be reflected in the Diet the trend toward settlement of the conflict with China along liberal and enlightened lines. The courageous and straightforward expression of such trend which was given yesterday and [*in?*] the Diet by Deputy Saito as reported in our 79, February 3, 6 p. m.,⁶⁸ would seem to lend considerable significance to the views of our Japanese informant who said:

(a) Japan has miscalculated the fiber and character of the Chinese people in three important respects: (1st) Chiang Kai Shek despite repeated military reverses is politically more powerful and more secure today than he was three years ago; (2d) the Chinese have demonstrated extraordinary capacity for patriotism and national service; and (3d) the Chinese has proved himself to be an excellent soldier. These facts are slowly but inexorably producing among the Japanese people the belief that China is deserving of respect and is entitled to be treated by Japan on terms of equality.

(b) The still dominant army and reactionary elements are even now opposed to settlement of the conflict on the basis of "no indemnity and no annexation", as they believe that Japan cannot afford to rely merely on the good will of China for benefits to compensate for sacrifices made by Japan. However, the Japanese people are now undergoing the change in concepts of international relations which occurred in the Occident during and after the first Great War, and they will eventually come to the conclusion that relations with China must be conducted on the basis of cooperation and mutual respect. The development of Japanese thought along liberal lines would be clearly manifested in the Diet. Although there would be the usual chauvinistic speeches there would also be voiced a strong plea for settlement of the conflict on terms which would make possible the retention by China of its self-respect.

(c) Since the outbreak of the war in Europe the United States has [*become?*] a more important source of supply for Japan than ever before, but considerations of national security transcend those of economic well being. If danger threatens from the direction of the United States, Japan will inevitably strive, for strategic and military reasons, to reduce the chances of trouble with Russia. Germany when confronted with war in the West reached an accord with Russia, and if Japan were placed in a similar position she would have to adopt the same course. If embargoes are imposed on Japan by the United States, they would have the two-fold result of suppressing the grow-

⁶⁷ Eugene H. Dooman, Counselor of Embassy.

⁶⁸ Not printed.

ing liberal trend in Japan and in adding strength to those who desire an alliance with Russia and Germany.

2. It is still too early to estimate precisely the repercussions to Saito's speech. The press reports that there is a strong feeling in the Diet that he should be expelled but that within his own party, which is numerically the strongest party in the Diet, there is considerable support of the position taken by Saito and opposition to any drastic disciplinary action. There is no doubt that Saito has raised an issue. We feel that the manner in which this case will be disposed of will serve to indicate the strength of the opinion voiced in his speech.

3. I hear from a reliable source that Saito is close to General Ugaki and that his speech is regarded as an expression of the latter's views.

GREW

893.01/8384

*Memorandum by Mr. George Acheson, Jr., of the Division of Far Eastern Affairs*⁶⁹

[Extract]

[WASHINGTON,] February 6, 1940.

It is believed that, having communicated our attitude toward the projected Wang Ching-wei régime to the Japanese Government,⁷⁰ there is no need for further action at this time. However, it may prove desirable at a later date, perhaps if and when the régime in question is actually set up, for this Government to take further steps such as (a) issuance of a public declaration or (b) filing with the Japanese Government a reservation of rights and making public the text of the reservation.

It is suggested that such a public declaration might take the form of a statement by the Secretary issued, in response to requests from news correspondents, in language somewhat as follows:

The attitude of this Government toward situations which have been brought about by armed force and in contravention of treaties is well known. That attitude remains unchanged. As this Government has made known in its note to the Japanese Government of December 30, 1938,* the people and Government of the United States could not assent

⁶⁹ Initialed by the Chief of the Division (Hamilton), who sent this memorandum to the Secretary of State on February 14.

⁷⁰ See telegram No. 349, November 13, 1939, 8 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 34; and the Secretary of State's memorandum of conversation with the Japanese Ambassador on January 31, *ibid.*, p. 53.

*See page 10 *ante*. [Footnote in the original; for the American note, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 820.]

to the establishment, at the instance of and for the special purposes of any third country, of a régime which would arbitrarily deprive them of the long-established rights of equal opportunity and fair treatment which are legally and justly theirs along with those of other nations. The Government of the United States recognizes as the Government of China the National Government of the Republic of China with capital temporarily at Chungking.

The contents of any note sent to the Japanese Government in reservation of our rights would depend somewhat upon the circumstances existing at the time the note might be despatched, especially the nature of any terms or agreements that might be arrived at between the Wang Ching-wei régime and the Japanese Government.

893.01/628 : Telegram

The Ambassador in Italy (Phillips) to the Secretary of State

ROME, February 9, 1940—noon.

[Received February 9—9:06 a. m.]

91. My No. 62, January 25, 9 p. m. The Chinese Chargé d'Affaires informs me that although he had previously received two telegrams from his Government authorizing him to prepare to depart from Rome, he has just received further instructions to remain and to make no representations to the Foreign Office with regard to the Ciano-Wang messages. He tells me that the Chinese Ambassador in Berlin is convinced that Germany has no intention of giving any form of recognition to Wang at this time; and furthermore that the Ambassador has gained the impression from German "military sources" with whom he is said to be in close contact that Ciano has recently been weakening in his position vis-à-vis Wang.

PHILLIPS

893.00/14532

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

[Extracts]

No. 2524

PEIPING, February 17, 1940.

[Received April 8.]

SIR: I have the honor to refer to the Embassy's despatch No. 1913 of February 6, 1939,⁷¹ reviewing significant developments in China during 1938, and to submit a review for 1939.

General summary:

1939 was another disappointing year for the Japanese who were still unable to accomplish their objective of effecting the military and

⁷¹ *Foreign Relations*, 1939, vol. III, p. 137.

political collapse of the Chinese Government. The Japanese military advance in China slowed down considerably, due perhaps to the lengthening lines of communications and the necessity of guarding those lines as well as important points in the occupied areas from Chinese attacks. Heavy and costly fighting occurred over widespread areas but the two important Japanese victories in Kiangsi and Kwangsi were counterbalanced to some extent by reverses suffered in Hupeh and Hunan. At the end of the year both Chinese and Japanese appeared determined to continue hostilities.

Japanese political plans for the occupied areas did not meet with much success. Effective Japanese authority in the occupied areas showed no considerable increase and continued to be limited to places under actual Japanese military control. The Japanese proceeded with ambitious plans for the economic exploitation of the occupied areas, making use of Manchurian monopoly forms, and the framework was laid for the eventual expulsion of all non-Japanese foreign trade, industry and investment; Japanese plans did not meet with all the success hoped for, due to lack of capital for industrial development, limited Japanese territorial control, and destructive floods in North China.

Japanese relations with the United States deteriorated, due to continued interference with American interests, and it became evident that Japanese and American policies in regard to China were diametrically opposed. Japanese relations with Great Britain and France also deteriorated, but these two powers, particularly Great Britain, pursued a conciliatory policy towards Japan because of involvement in Europe. Large scale hostilities broke out between Japan and Soviet Russia on the Outer-Mongolian border,⁷² but the German-Soviet non-aggression pact⁷³ led to a reorientation of Japanese foreign policy and impelled Japan to conclude an armistice with the Soviets; it was felt, however, that the fundamental divergence of Japanese and Soviet interests would prevent any binding *rapprochement* between them.

Despite the economic and financial strain of the hostilities, difficulties in the international situation and recurring friction in the "United Front", there was no apparent lessening of Chinese determination to continue resistance. The Chinese placed great reliance on the United States and hoped that fear of alienating American opinion would prevent British and French capitulation to Japan, and that

⁷² See *Foreign Relations*, 1939, vol. III, pp. 1 ff.

⁷³ Signed at Moscow, August 23, 1939; see Department of State, *Nazi-Soviet Relations, 1939-1941*, pp. 76-78.

possible American action, such as an embargo on the export of war supplies, would seriously weaken Japan.

Political developments:

The National Government remained at Chungking throughout the year. There were no indications that Chinese determination to continue resistance had lessened, despite the uncertainties in the international situation, friction in the "United Front", and the severe strain of war on the national economy. General Chiang Kai-shek retained the confidence of the nation and his influence was effective in settling the difficulties which arose between various factions in the government. Serious friction occurred from time to time between the Kuomintang and Chinese "communists" and clashes were reported in Kansu and Shensi between Central Government troops and units of the 8th Route Army; these difficulties were settled, usually on a compromise basis, and competent observers generally considered that the "United Front" would be maintained, so far as the continuance of hostilities against Japan was concerned. Rumors and reports of peace, usually emanating from Japanese sources in Shanghai and Hong Kong, were vigorously denied by the National Government, and Chinese spokesmen repeatedly stated that peace could only be concluded when China had achieved the objectives of its war against Japan. One important factor in maintaining and increasing Chinese determination to resist was the ruthless Japanese bombing of civilian populations, the most murderous instance of which occurred in Chungking in May.

Respectfully yours,

For the Ambassador:
FRANK C. LOCKHART
Counselor of Embassy

793.94/15765

*Memorandum by the Assistant Chief of the Division of Controls
(Yost)*

[WASHINGTON,] February 20, 1940.

SOME EFFECTS OF THE APPLICATION OF THE NEUTRALITY ACT TO THE
FAR EASTERN CONFLICT

Section 2

The provisions of section 2 prohibiting American vessels from carrying passengers or cargo to belligerent ports and requiring the transfer of title on all goods shipped to such ports could not have any

great effect in this instance since paragraphs (g), (h) and (i) of this section exempt shipments (except arms, ammunition, and implements of war) on American or neutral vessels "to any port on the Pacific or Indian Oceans". Shipments of arms to China are already subjected to these restrictions at the present time since they are necessarily shipped via such belligerent ports as Rangoon, Haiphong, and Hong Kong. As the result of the moral embargo, no shipments are being made to Japan at the present time. American commerce with the Far East would therefore not be hampered to any significant extent by the application of the provisions of sec. 2 of the Act.

Section 5

The provisions of section 5 which prohibit travel by American citizens on belligerent vessels would, if applied to the Far Eastern conflict, have no effect on travel in that area since the regulations issued on November 6, 1939, under this section of the Act, permit American citizens to travel on belligerent vessels in all parts of the world except the North Atlantic and other waters adjacent to Europe.

Section 7

Section 7 prohibits loans or credits to a belligerent government or any person acting on behalf of such government. The application of this section of the Act to the Far Eastern conflict would be of the greatest importance since it would presumably prevent the extension by the Export-Import Bank of further credits to the Universal Trading Corporation or any other agent of the Chinese Government and would, in addition, prevent any American manufacturer from selling any goods on credit to the Chinese Government or any of its agents.

Section 8

If the Neutrality Act were applied to the Far Eastern conflict, it would be unlawful under the provisions of this section for any person in the United States to solicit or receive any contribution for the Chinese Government or any of its agents. This would presumably prevent the collection of funds from Chinese resident in the United States for the use of the Chinese Government. Furthermore, all of the persons and organizations engaged in the collection of funds and contributions for relief work in China would be required to register with the Secretary of State and submit monthly reports of their operations.

The other sections of the Neutrality Act would not appear, if the Act were invoked, to have any significant effect on our relations with the Far Eastern nations.

CHARLES W. YOST

793.94/15765

Memorandum by the Counselor of the Department of State (Moore)
to the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] February 20, 1940.

It is very clear from the terms of Section 1 of the present neutrality statute that the mere existence of a state of war between foreign nations does not compel the issuance of a proclamation which would put into effect the provisions of the statute. Action is not to be taken unless "it is necessary to promote the security or preserve the peace of the United States or to protect the lives of citizens of the United States". It is difficult to believe that any such necessity now exists.

Should some question be raised as to why the President did not issue a proclamation under the former neutrality statute,⁷⁴ the answer is that it was construed as vesting in him discretion to find that a state of war existed and that in his opinion to make the Act effective by such a finding would be detrimental to Americans and American interests in China. At that time and since, the Japanese Government has refused to admit that it is making war.

Should the President or Congress after such a lapse of time since the hostilities began, now proclaim a state of war, the Japanese Government might or might not formally declare war against China. Should it declare war, our status in China might easily be more seriously difficult than it now is. In that event Japan might exercise authority as a real belligerent that would materially and injuriously modify the situation as it now is. For example, it might bring about a complete blockade of the Chinese coast; it might forbid, so far as Chinese ports are concerned, the ingress or egress of neutral vessels; it might even require the departure of any neutral vessels from the area it occupies in China and perhaps the departure therefrom of the citizens of a neutral country. There can be no doubt that American interests in China might become very much worse than they now are.

It can not be assumed that the purpose of the proposed enactment is to assist Japan and hurt China. Nevertheless, that would be the result. Japan would continue to make and pay for its purchases in this market and its ability to carry on hostilities would not be curtailed. On the other hand, there would be at least doubts raised as to the right of this as a neutral country to extend possible assistance to China in conducting the struggle. There can be no misgiving that the psychological effect on the Chinese would be injurious.

⁷⁴ Approved August 31, 1935, 49 Stat. 1081; as amended February 29, 1936, and May 1, 1937, 49 Stat. 1152 and 50 Stat. 121.

The question to be determined is not theoretical, but highly practical and the answer would seem to depend upon whether the enactment of the Resolution would do more harm than good to us, and whether it would do more harm than good to Japan or to China.

793.94/15765

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

[WASHINGTON,] February 21, 1940.

Pursuant to a request made of the Secretary by Senator George that the Department send representatives to appear before a subcommittee of the Senate Committee on Foreign Relations of which Senator George is Chairman to consider S. Con. Res. 36 declaring a state of war to exist between Japan and China, introduced by Senator Gillette, Mr. Hornbeck and Mr. Hamilton this morning attended the meeting of the subcommittee. (Judge Moore would have attended, but he had a previous commitment which prevented his doing so.) The subcommittee was composed of Senator George (Chairman), Senator Van Nuys of Indiana, and Senator Johnson of California. The subcommittee delayed opening its meeting until Senator Gillette, the author of the proposed resolution, had arrived.

Senator Johnson asked a number of questions, the most important of which are indicated as follows:

Senator Johnson referred to the Manchuria situation and asked whether, due to Sir John Simon's⁷⁵ unwillingness to go along with Mr. Stimson⁷⁶ in Mr. Stimson's policy, Mr. Stimson had not later "found himself out on a limb". Mr. Hornbeck commented briefly in regard to the course of American policy in the Far East and the course of British policy in the Far East in 1931-32 and said that he would like at some time to take an hour or two to talk with Senator Johnson on matters relating to the question which Senator Johnson had asked. Mr. Hornbeck pointed out that there was no simple and brief answer to many of the aspects of the situation.

Senator Johnson asked whether Mr. Hornbeck and Mr. Hamilton believed that there was now in existence a secret agreement in regard to the Far East between Japan and Great Britain. Mr. Hornbeck replied that for his part he did not believe that there was in existence any such agreement or under negotiation at the present time any such

⁷⁵ Sir John Simon became British Secretary of State for Foreign Affairs in October 1931.

⁷⁶ Henry L. Stimson, Secretary of State, 1929-33.

agreement. He said that he realized, always, that he might be mistaken and that he agreed with Senator Johnson that the situation should be closely watched. Mr. Hornbeck referred to the fact that just as there are in this country people who advocate this country's "making friends" with Japan and doing nothing which would antagonize Japan, so there are in Great Britain certain persons in "Tory" circles, not so numerous now as at some times in the past, who constantly advocate a *rapprochement* between Japan and Great Britain. In reply to a further question by Senator Johnson whether we had knowledge of any present disposition on the part of the British to take action directed toward effecting a *rapprochement* between Great Britain and Japan, Mr. Hornbeck said that we from time to time see published statements by private individuals advocating such a course. Senator Johnson asked whether we had any knowledge of an agreement in reference to the Pacific relating to the use of American and British navies in that area. Mr. Hornbeck and Mr. Hamilton replied in the negative. Senator Johnson asked whether it was possible that certain officials in the State Department might have information and this information be not made available to or be not known to Mr. Hornbeck and Mr. Hamilton. Mr. Hornbeck replied that such a situation is possible, but that he knew that Secretary Hull wished that Mr. Hamilton and he be thoroughly informed in regard to Far Eastern matters and that we know of no instance in which any telegram, no matter how confidential, relating to Far Eastern matters, has for any length of time been kept from Mr. Hornbeck and Mr. Hamilton. Mr. Hornbeck added that he was confident that had any information come to the Secretary of State that a secret agreement was actually in effect between Great Britain and Japan, the Secretary would promptly have communicated that information to Mr. Hamilton and to him.

Senator George then referred to S. Con. Res. 36 and asked whether Mr. Hornbeck and Mr. Hamilton had any statement which they felt they might properly make in supplement to the statements contained in the Secretary's letter of February 2, 1940, to Senator Pittman.

Mr. Hornbeck recapitulated the statement made in the Secretary's letter and said that he thought that the members of the subcommittee might be interested in a memorandum prepared by the Division of Controls under date February 20 on the subject "Some Effects of the Application of the Neutrality Act to the Far Eastern Conflict". Mr. Hornbeck thereupon read aloud the memorandum (attached).⁷⁷ Mr. Hornbeck added a brief statement to the effect that from the outset of hostilities in the Far East it had been the view of the Depart-

⁷⁷ i. e., the memorandum of February 20, p. 287.

ment that application to the hostilities in the Far East of current neutrality acts would complicate and render more difficult the problem of extending protection to American citizens and the interests of the United States. Mr. Hornbeck said that that continued to be the view of the Department of State. He said that, neither Japan nor China having declared war, a declaration by the United States that there exists between Japan and China a state of war would have the effect of causing this country to accord to Japan and China the rights of belligerents without there being imposed on Japan and China any corresponding obligation to accord the United States the rights of a neutral.

Senator Johnson asked several questions relating to whether the export of scrap iron from the United States to Japan could be prohibited by application of the present neutrality act to the hostilities in the Far East. He also asked a number of questions relating to moral embargoes. Mr. Hornbeck and Mr. Hamilton answered those questions.

In further discussion of one of the questions asked by Senator Johnson in regard to the possibility that Japan and Great Britain might have concluded an agreement relating to the Far East, mention was made of the agreement concluded between the British Ambassador at Tokyo and the Japanese Foreign Minister in reference to the Tientsin situation.⁷⁸ It was pointed out that this agreement was couched in very general terms and that it was open to the interpretation that Great Britain had recognized in those parts of China occupied by Japanese military forces the rights in Japan's favor pertaining under international law to military occupancy. Senator Johnson was informed that this agreement was a matter of public knowledge and that the text thereof had been published in the press. (See *New York Times*, July 25, 1939.)

The members of the subcommittee and Senator Gillette offered no further questions; the Senators present thanked Mr. Hornbeck and Mr. Hamilton for their testimony; and Mr. Hornbeck and Mr. Hamilton departed.

M[AXWELL] M. H[AMILTON]

793.94/15785

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

[WASHINGTON,] February 23, 1940.

The French Ambassador called by appointment at his request. He said that he wished to bring me up to date regarding his "informa-

⁷⁸ See telegram No. 348, July 21, 1939, 6 p. m., from the Chargé in Japan, *Foreign Relations*, 1939, vol. iv, p. 224.

tion". He read from two documents of which he left me copies, here attached.⁷⁹ He also gave account of messages which he had in his hand containing comments by the French Ambassador in Tokyo on the current situation.

I. The two documents are: (1) text of a note handed by Mr. Tani⁸⁰ of the Japanese Foreign Office to the French Ambassador in Tokyo on February 5 and (2) a statement made in reply and comment by the French Foreign Office to the Japanese Ambassador in Paris on February 10. Both of these documents should be read. [The translations have been made in the Department.]⁸¹

II. Having given me his "information", the Ambassador inquired what information we had. I replied that we had not much that was new or highly significant. I said that we had not had the account which the Ambassador had given as from the French Ambassador in Tokyo regarding interdictions placed upon the *Japan Advertiser* by the Japanese Foreign Office. I said that most of what we have had recently has related to handling of routine matters and settlement of claims by the Japanese. I said that we had evidence that the Japanese are considerably worried over various factors in the situation, especially the discontent in Japan. The Ambassador at that point raised the question of the agitation in this country for an embargo on exports. He said that the anxiety which had been expressed in various quarters before January 26 lest there be drastic action in regard to trade, with possible adverse political repercussions, had apparently died down. He said that it was difficult to estimate what may become of Senator Pittman's resolution, and what Senator Pittman's attitude is toward that resolution and to what extent Senator Pittman and the Department of State are in accord. I stated that in my opinion Senator Pittman feels that it is not in the best interest of the United States or of the world that the Japanese Army succeed in its present effort in China, and that he shares the views of many Americans that it is unfortunate that Japan's chief source of materials for the carrying on of hostilities in China is the United States. The Ambassador said that the French and the British are apprehensive lest materials which go from the United States to Japan may pass on into the hands of the Russians and thence into the hands of the Germans. I inquired whether by that the Ambassador meant that his people would be inclined to look with favor upon a decrease in the export of such materials from the United States to Japan. The Ambassador replied that it was not for his Government to express a wish or a desire in regard

⁷⁹ Neither printed.

⁸⁰ Masayuki Tani, Japanese Vice Minister for Foreign Affairs.

⁸¹ Brackets appear in the original.

to such a matter. I said that I had not meant to inquire regarding a wish or a desire but was merely seeking to understand what was implied or should correctly be inferred from the Ambassador's statement regarding present French and British apprehensions. I said that I had understood that the Ambassador had stated to Mr. Welles a few weeks ago ⁸² that his Government was apprehensive lest pressures which might be exerted by the United States would cause the Japanese to move "into the arms of Russia" or to push southward toward and into the Dutch East Indies. The Ambassador said that his Government had entertained and expressed that apprehension, but that that was some two months ago; that in the interval his Government had had a change of view, and that now their apprehension was that if and as American exports of material to Japan "increased", such exports might be passed on by the Japanese to Russia and be of assistance to the Russians and the Germans. The Ambassador made special mention of "aviation gasoline". He said that the Japanese do not absolutely need highest test gasoline for their operations in China but the Germans and the Russians need it for operations on the Western and the Finnish fronts. [This brought to my mind, but I did not mention, the tremendously increased ⁸³ export from the United States to Japan of aviation gasoline in January 1940.]

STANLEY K. HORNBECK

793.94/15749: Telegram

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

CHUNGKING, March 8, 1940—2 p. m.

[Received March 9—10: 50 a. m.]

120. I offer following comments on observations made during recent visit to Peiping, tour of Yangtze and journey Shanghai to Chungking via Hanoi and Kunming.

1. Great numbers of Japanese have followed army into North China and are engaged in operating communications services by rail, air and motorcar, telephone, telegraph and radio; public facilities such as electricity and water; and there is much planning for the future. Chinese population seems less afraid of Japanese than was reported to be the case in the beginning of trouble and evidence little interest in state control plans which Japanese appear to be prepared to carry forward with or without Chinese cooperation. All activity

⁸² See memorandum of conversation by the Under Secretary of State, December 21, 1939, *Foreign Relations, 1939*, vol. III, p. 99.

⁸³ With reference to his bracketed statement, Dr. Hornbeck on May 20 pencilled the notation: "Erroneously so reported in Dept. of Commerce 'preliminary' figures."

[is] based upon unconvertible currency issued by Japanese agencies and known as B currency which gives unstable economic background to whole business and state control structure. Link system now enforced plus blockade of British Concession [at Tientsin] has killed normal trade, leaving B currency entirely dependent upon business with Japan and ability of holders to convert it into Chinese national currency, still only currency with exchange value.

[2.] Communication facilities and public utilities of Yangtze Valley from Woosung to Yochow are held in iron grip of Japanese Army and all commerce on the river is in the Japanese Army's control. The Japanese Army through its special service section has been busy preparing for the setting up of a political Chinese machine with its seat at Nanking, the old capital of the Chinese Republic, to serve as a legal facade for the setting up of so-called Sino-Japanese companies to operate these public utilities as monopolies. Thus far the Japanese Army has refrained from any attempt to introduce into this area a printed currency of its own, paying for its purchases with military script with [which?] Chinese holders convert into Japanese made goods as fast as they can.

3. The Japanese Army aided by the Navy have blockaded or occupy all treaty ports along the coast of China and have attempted to cut all normal routes from the interior into such ports, apparently for the purpose of cutting off all access to Chinese products or to Chinese markets except through channels controlled by them.

4. In spite of this blockade, large quantities of Chinese products are finding their way out of various unopened Chinese ports along the coast by junk and other small conveyance to Hong Kong [to be?] sold for the account of Chinese merchants, such transactions involving considerable amounts of exchange between foreign currencies and Chinese national currency. Chinese national currency still prevails throughout Chinese territory except in areas immediately adjacent to Japanese garrisons, supported by Chinese confidence in their own government, considerable amounts of exchange derived from the exports above referred to, large remittances from Chinese living abroad which continue to come through Chinese controlled banks, and by Japanese goods bought in China with Japanese military notes which add to the country's stocks of needed materials from the outside, the importation of which constitutes no burden of [on?] the Chinese currency.

5. Communications between interior China and the outside world through French Indochina are being increased by additional roads now under construction, inability of Japanese permanently to injure the Yunnan Railway, present through connection by railway and road between Haiphong and Luhsien on the Yangtze with cheap waterway

connections between Luhsien and other parts of Szechuan. The Burma Road is being developed and gives direct connection between Szechuan and Burma. The roadway between Szechuan and the Russian border is in operation throughout except in winter.

6. The Japanese invasion with its attack upon Chinese cultural and industrial development has driven into this section of China all of the trained Chinese engineers, chemists, and cultural leaders who are settling down and working hard at developing the latent mineral and agricultural resources of this area. They are busily at work developing mines, increasing wheat, cotton, and vegetable oil crops, opening motor roads, developing methods of producing fuel from vegetable oils, developing oil wells in Kansu and Sinkiang, smelting copper, lead and tin, and developing hydroelectric power. They are making a beginning which is already showing results. Dependent upon their ability to win the support of the people they have resources in man power and of a natural kind in this area sufficient to create a power of considerable weight. Up to the present they have been meeting with success because of the high handed methods of the Japanese military, which have created a feeling of hatred against Japan and Japanese among all Chinese that dominates their minds to the exclusion of everything else when a Japanese is concerned. It is conceivable however that guided by wiser counsels the Japanese, possessed of China's chief lines of communication and the principal treaty ports of entry, might open these facilities in such a way as to make them once more the easiest and cheapest way for products of China to reach the outside world in which case it would become exceedingly difficult for Chinese authorities in the interior to prevent Chinese merchants and farmers from selling their products in the markets giving them the most for their labor.

The Japanese up to the present have been handicapped in their use of the facilities which they have taken over by lack of capital and an unwillingness to share what they have taken either with the Chinese or with nationals of third powers who have the capital to invest.

7. My observations convince me that this year will be a critical one for both Chinese and Japanese in the solution of their present difficulties and that at the moment Chinese difficulties appear from this angle of observation to be less critical than those facing the Japanese because of the current domestic situation in Japan. The Chinese can still feed and clothe themselves without difficulty, and the Government still has the support and confidence of its people.

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

JOHNSON

793.94/15769 : Telegram

*The Ambassador in China (Johnson) to the Secretary of State*CHUNGKING, March 19, 1940—1 p. m.
[Received 9:30 p. m.]

137. J. Leighton Stuart⁸⁴ told the Counselor in reply to questions yesterday that after a week of conversations with various Chinese leaders he found them uniformly in favor of continued and dogged resistance to Japan. They have not seemed optimistic of an early victory but believe that any terms of compromise Japan would now accept would be far worse for China than continuation of hostilities. Moreover, they feel that China is building up in West China an economic structure that can ultimately be self-sustaining. Chiang Kai-shek especially is determined to go on with resistance and to refuse all offers of negotiations for compromise with Japan. He asserts China is already at the point where it can manufacture such arms and munitions as are used in current types of warfare in China and he is facing without misgiving the prospect of continuing the present hostilities for 5 years more.

Repeated to Peiping. Peiping please air mail to Tokyo.

JOHNSON

893.01/676 : Telegram

*The Consul General at Shanghai (Gauss) to the Secretary of State*SHANGHAI, March 19, 1940—2 p. m.
[Received March 19—12:50 p. m.]

230. My 217, March 16.⁸⁵ According to this morning's press, Shanghai Japanese Embassy spokesman at press conference yesterday stated with reference proposed Wang government that questions regarding military operations would be referred to Tokyo but other matters would be handled by new régime and would be of no concern to Japanese Government. He is quoted as saying that "there must have been a number of questions which were taken up by the powers with the former Nanking Government. They will have to do the same now." He said that question of whether Japanese authorities would hand over to new government responsibility of preserving law and order would have to be settled after formation of that government.

All questions involving third powers would be considered on their

⁸⁴ American president of Yenching University, Peiping.

⁸⁵ Not printed.

merits, "principally" by the new government: "If a British firm wanted to establish a new factory in Manchukuo, it would have to negotiate with the Manchukuo authorities and not the Japanese. The same applied in China," the spokesman said.

The press account continues: "Japan had announced that she intended to respect the independence and sovereign rights of China, and the new government, which had this independence and sovereign rights, in turn had announced that it intended to respect the 'lawfully acquired rights of the powers in China'. International relations," the spokesman went on, "were only established when there was recognition but there could be *de facto* dealings with the new government."

Asked what he meant by "lawfully acquired rights", the spokesman stated that these were rights acquired under treaties. Further questions as to whether or not the new government would respect these treaties, which had been signed with the former government in occupied areas, he stated that treaties might be compared with old clothes, which [one?] ceased wearing when they no longer fit.

With particular reference to the Nine Power Treaty,⁸⁶ the spokesman said that at time of signature Japan was still growing; he then stated, replying to a correspondent's observation that a state signing treaty with Japan therefore could expect such treaty to be but temporary, that "reality imposed the necessity of revision [of] international law." Regarding validity of treaties entered into by National Government, he said that "there is general consent under international law as to which obligations a new state will succeed to or which obligations it will not succeed to."

A party of some 18 press correspondents, including several Americans, left for Nanking this morning by invitation of the Wang Kuo-mintang Department of Publicity. The general program is that they shall remain in seclusion for about a week, [at] which [time] it anticipates that the scheduled political meetings shall have been terminated, and that they shall then return to Shanghai to wait for "about 10 days" before returning to Nanking for the ceremony of the establishment of the government itself; however, another version purports that it may prove feasible for the correspondents to remain in Nanking for the ceremony, which would follow immediately after the aforementioned meetings, with the formal establishment perhaps on March 28 or April 2.

Repeated to Peiping, Chungking; air mail to Tokyo.

GAUSS

⁸⁶ Signed at Washington, February 6, 1922; *Foreign Relations, 1922*, vol. 1, p. 276.

793.94/15776: Telegram

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

TOKYO, March 22, 1940—6 p. m.
[Received March 22—7: 10 a. m.]

191. According to the *Asahi*, the Minister of War made the following reply to an interpellation in the Budget Committee of the Lower House this morning regarding the attitude of the fighting services toward the Nine Power Pact:

“With respect to the Nine Power Pact, the army will of course conform to the Government’s policy. As for my private opinion, however, the present China incident was brought about by the anti-Japanese policy of the Chiang regime, and is literally a holy war for the purpose of correcting this mistaken policy and of ensuring the lasting peace of East Asia. Consequently, the present incident in my opinion transcends the Nine Power Pact. While the said instrument still exists, Japan will not be restricted by it in its military operations. It goes without saying that the present situation in East Asia generally is far different from the time when the Nine Power Pact was concluded.”

Air mail to Shanghai and Chungking.

GREW

893.01/694

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Saint-Quentin)

[WASHINGTON,] March 22, 1940.

The Ambassador inquired about the situation in China, to which I replied that the puppet government to be established at Nanking on March thirtieth under Japanese dictation and military support is to extend to Tientsin and Peking; that my Government has been opposing every inch of the Japanese invasion in every way except by drastic steps, and that it will continue to do so.

The Ambassador expressed the gratification of his Government at the American representations to Japan at the time of the bombing of the French railroad in China.⁸⁷

C[ORDELL] H[ULL]

⁸⁷ For representations by the American Embassy to the Japanese Ministry for Foreign Affairs, January 31 and March 11, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 674 and 678.

893.01/684 : Telegram

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

NANKING, March 22, 1940—7 p. m.

[Received March 23—7:30 a. m.]

21. Nanking's 20, March 21, 7 p. m.⁸⁸ At the closing session of the "Central Political Conference" today the regulations for the organization of the "North China Political Affairs Commission" were passed and the "liquidation of the Chungking régime was unanimously adopted". In connection with the latter resolution it was decided that (a) all laws, decrees, contracts, obligations, treaties and agreements entered into by the National Government at Chungking shall be invalidated from the time of the "return of the National Government to its capital at Nanking", (b) "orders be issued to the men in the field to cease hostilities immediately" and (c) that "all civil servants now in Chungking are to be ordered to return to Nanking and report for duty."

The personnel of the "National Government" was passed, it being decided that Wang Ching-wei is to act for Lin Sen⁸⁹ "prior to the latter's return to the capital". The former was also nominated President of the Executive Yuan and Minister of the Navy. Liang Hung-chih was named President of the Control Yuan but only three or four other members of the "Reformed Government" appear in the list of personnel. Chu Min-yi and Chou Fu-hai were named Ministers of Foreign affairs and Finance respectively. Wang Keh-min heads the "North China Political Affairs Commission" but does not appear to have been included in the personnel of the new "National Government".

General Itagaki⁹⁰ granted foreign press correspondent an interview this afternoon. He is reported to have stated that Japan intended to adhere to the policies set forth in the Konoye statement⁹¹ and also that a return to the normal could not be expected so long as hostilities continued. When asked what would be the policy of the new government vis-à-vis foreign rights and interests he is reported to have replied that he believed it would be one of "conciliation and moderation".

Repeated to Peiping, Chungking and Shanghai.

STANTON

⁸⁸ Not printed.

⁸⁹ President of the Chinese National Government since December 1931.

⁹⁰ Chief of Staff to Commander in Chief of Japanese Expeditionary Force in China.

⁹¹ December 22, 1938, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 482.

893.01/737

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

[WASHINGTON,] March 27, 1940.

During the course of a call which Mr. Morishima⁹² made at his request, Mr. Morishima said that the new central regime would be set up at Nanking on March 30. I commented that he was aware of this Government's attitude toward any such regime. I said also that Mr. Morishima, from his reading of American editorial and magazine comment, must also be aware of the attitude of the American people. I added that any such regime would seem to be lacking any broad popular or spontaneous support by the Chinese people and to be dependent for its existence upon Japanese military force. I said that we could not regard the setting up of such a regime as any indication that the Japanese Government intended to conduct its relations with other countries on the basis of those principles which this Government was convinced furnished the only sound basis for healthy relationships among nations. Mr. Morishima referred to the fact that, prior to the recognition by the British Government of the nationalist regime, the British Minister to China concluded an agreement with the nationalist regime at Hankow. I asked whether he meant the Chen-O'Malley agreement.⁹³ Mr. Morishima assented. Mr. Morishima then expressed the view that, upon the setting up of the Wang Ching-wei regime, foreign governments must deal with the new regime and it would be necessary for foreign governments to deal with it. I took decided exception to the use of the two words *must* and *necessary*, and Mr. Morishima stated that his use of these words was unfortunate and he expressed regret for having used them. (Note: Both Mr. Ballantine and I have noted that Mr. Morishima's command and use of English are faulty and that he at times shows ineptness in expressing himself.)

The conversation then passed to other subjects.

M[AXWELL] M. H[AMILTON]

⁹² Counselor of the Japanese Embassy.

⁹³ British Cmd. 2869, China No. 3 (1927): *Papers respecting the Agreement relative to the British Concessions at Hankow and Kiukiang.*

751.94/109 : Telegram

The Chargé in France (Murphy) to the Secretary of State

[Extracts]

PARIS, March 27, 1940—9 p. m.

[Received March 27—8 p. m.]

400. Department's 227, March 25, 5 p. m.⁹⁴ Chauvel showed me this morning the originals of telegrams dated March 9, 1940 signed by Daladier and sent to Saint-Quentin and to the French Ambassador at Chungking. In both telegrams Daladier states that the Japanese correspondent of the *Osaka Mainichi* and *Nichi Nichi* misquoted him in the course of the interview granted on February 29 and that the United Press further distorted the Japanese account of the interview. Daladier denied that he had promised recognition of the government of Manchukuo and he also said that the reference to aid for Chiang Kai Shek was distorted. Daladier merely referred to the French voluntary action of October 1937 limiting the articles which could be transported over the Yunnan Railroad.

I asked Chauvel whether there would be any objection to my mentioning the matter to Daladier and obtaining from him whatever oral remarks he might care to make. Chauvel said he would be very pleased if I did so because it would be evidence of what he daily tries to impress on the government, namely, that the United States is interested in Far Eastern affairs. . . .

I called on Daladier this evening. . . .

Daladier said that parts of the Japanese and United Press versions of the interview are made out of whole cloth. The version appearing in the *Matin* while not as exaggerated is also incorrect. But one of the correspondents spoke the French language. Daladier is not sure whether the distortions of his statements are due to faulty knowledge of the language or intentional (he is inclined to believe the latter). He does not like to grant interviews but when he does he prefers to give the correspondents credit for sufficient honesty to be able to receive them without witnesses. Having received some time ago a correspondent of a competitor of the *Osaka Mainichi*, he thought it only fair to receive the correspondent of the latter.

During the interview the correspondents tried to pin Daladier down on the issue of Manchukuo and French aid to Chiang Kai Shek. Daladier said that each time he sidestepped. When the correspondents

⁹⁴Not printed; the Department requested a full report regarding an interview given by the French Premier, Edouard Daladier, to Japanese correspondents (751.94/102). Earlier correspondence, not printed, had raised doubt as to correctness of press reports.

asked whether he had in mind the recognition of the Emperor of Manchukuo, Daladier replied that he was thinking a great deal more of Hitler and Germany. He did say that France is not shipping arms and ammunition to China and that he told the correspondents that obviously France was not in a position to do so. He also mentioned to the correspondents the paradox of the Soviet Union's aid to China at the same time the Russians are aiding Germany. He went over the same ground as described by Chauvel in connection with the Yunnan Railroad. Daladier said that obviously the Japanese had not paid much attention to his remarks because he understood that they had bombed the colliery 4 or 5 days afterwards.

Daladier denied categorically that he had said that France intended to recognize the government of Manchuria or that he had said that conversations would be opened on that subject. He also denied that he had said anything which could even be construed as meaning that France would discontinue aid to China.

Approval of the release of the interview as written by the United Press was given by a young attaché in Daladier's diplomatic Cabinet who has no knowledge of Far Eastern affairs. Chauvel showed me the copy as stamped and said the young man had not had a happy time of it since.

Mail reports and clippings are being transmitted.⁹⁵

MURPHY

893.00/14527 : Telegram

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

PEIPING, March 28, 1940—4 p. m.
[Received March 28—12: 10 p. m.]

99. A reliable American missionary informant at Paotingfu and American and other foreign missionaries in southern and southwestern Hopei have recently reported that during the past month or so units of the Eighth Route Army in their districts have been driving out Chinese forces (such as those under General Lu Chung-lin) who are more or less under Central Government control. The "Communists" are reported to have carried out their activities in a ruthless manner, executing many captured officers, and have manifested a definite dislike and disregard for Central Government military and civil authority. The Paotingfu informant states that the most disquieting feature of the situation is the oppressive treatment by the "Communists" of the Chinese populations of the areas in question, which, he reports, has resulted in a revulsion of feeling against the "Com-

⁹⁵ Not printed.

munists"; he believes that if this sort of treatment continues it may lead to a much more favorable attitude on the part of the civilian populations toward the Japanese controlled regimes. The various informants report only on areas in southern and southwestern Hopei and do not know whether this state of affairs prevails in other areas.

The Paotingfu informant states that he has been informed by Chinese contacts that these recent "Communist" activities have been carried out under orders from Mao Tze-tung and Chu Teh,⁹⁶ although he cannot confirm this. As friction has been reported from time to time between "Communists" and Central Government forces in northwest China, it is not improbable that Eighth Route Army headquarters may have ordered attacks on the so-called Central Government units involved but local observers express doubt that those headquarters have issued orders for the oppressive treatment of Chinese populations as observers in districts held by "Communists" in this province have previously reported a friendly cooperation between civilians and "Communists". Some local observers believe that the "Communist" units concerned in the activities under discussion may not be under effective control by Eighth Route Army headquarters but in any case this oppressive treatment of civilian populations is harming the Chinese cause and is creating in the areas in question a situation more favorable for Japanese controlled regimes.

Repeated to Chungking, Shanghai. Code text by air mail to Tokyo.

LOCKHART

893.01/738

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

[WASHINGTON,] March 28, 1940.

Mr. Tsui, First Secretary of the Chinese Embassy, called at his request. He explained that he was acting on behalf of the Ambassador who is absent in California. Mr. Tsui said that the Chinese Embassy had received a telegraphic instruction from the Chinese Government to the effect that the Chinese Government had received information that the Italian Government had decided shortly to recognize the Wang Ching-wei regime and that the Italian Ambassador to China, now at Shanghai, who had never proceeded to Chungking to present his credentials to the Chinese Government, would proceed to Nanking in a few days. Mr. Tsui said that his Government has instructed the Embassy to bring this matter to the Department's attention and to express the hope that this Government might, by calling the Italian Government's attention to its obligations under

⁹⁶ Leaders of the Chinese Communist Party and forces.

the Nine Power Treaty, cause the Italian Government not to proceed with such a course of action. Mr. Tsui said that his Government had also sent instructions to the Chinese Embassy in Rome directing the Embassy to explore the situation there with a view to preventing such action by the Italian Government.

I told Mr. Tsui that I could make no definitive statement but that I would make record of what he had said and would bring it to the attention of appropriate officers here.

M[AXWELL] M. H[AMILTON]

124.936/319a : Telegram

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

WASHINGTON, March 28, 1940—6 p. m.

45. The French Ambassador called at the Department this afternoon. He stated that, in anticipation of the setting up of the Wang Ching-wei regime, his Government assumes that various problems will soon confront representatives in China of the foreign powers and it has given instructions to its Ambassador in China to confer and coordinate, where there are problems of common concern, with the British and the American Ambassadors there.

The Department of course desires that the Embassy, in circumstances where it may be appropriate, continue as heretofore to exchange information and views with the representatives of similarly concerned governments.

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

893.01/702 : Telegram

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

CHUNGKING, March 30, 1940—11 a. m.

[Received 3 p. m.]

158. Department's 45, March 28, 6 p. m. I had a conversation day before yesterday with French Ambassador, who left yesterday for fortnight's stay in Hanoi, in the course of which he stated that he has received instructions to follow policy of British and American Governments in matters relating to proposed Wang Ching Wei regime. He asked what our policy was and I stated that we would doubtless follow same policy which we had pursued in respect to Manchukuo, that we would through Consulates look to local authorities in matters of purely local character and that generally we would continue as in past to look to and hold Japanese Government ultimately responsible in all questions of protection of interests and injury to our interests. He is

much worried as to possible efforts of new regime, aided by Japanese, to create difficulties in French Concessions, remarking that French Government stood alone in these Concessions as responsible for law and order. French Ambassador is delaying return to Shanghai at this time because he does not want to afford opportunity for comment and possible connection of his return with proposed inauguration of new regime.

Repeated to Peiping, Shanghai.

JOHNSON

893.01/704 : Telegram

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

NANKING, March 30, 1940—2 p. m.

[Received March 31—12:45 a. m.]

28. Nanking's 26, March 27, 6 a. m. [*p. m.*]⁹⁷ At a brief ceremony this morning, which included the paying of homage to Sun Yat Sen and the reading of his will, Wang Ching Wei and the other members of the new "National Government" took office.⁹⁸

Mr. Wang read a proclamation which *inter alia* set forth the "mission of the National Government" and its political program. As released for publication this program is

1. To adopt a policy of good neighborliness and through peace, diplomacy, secure the independence and integrity of China's sovereignty and administration to enable her to share the responsibility for the establishment of permanent peace and a new order in East Asia.

2. To respect the legitimate rights and interests of friendly powers, to readjust Sino-foreign relations, and to promote Sino-foreign friendship.

3. To unite with all friendly powers for the purpose of counteracting the subversive and peace disturbing activities of the Communist International.

4. To rehabilitate the troops who support peace and national reconstruction, to pacify and settle the guerilla units, to organize a national defense army, and to eliminate the respective functions of military administration and military command with the object of destroying military dictatorship.

5. To establish various grades of representative organs of the people, to enlist people of ability from every walk of life, and to consolidate national public opinion in order to build up the foundation of democracy.

⁹⁷ Not printed.

⁹⁸ For translation of statement by the Japanese Government issued at Tokyo, see telegram No. 215, March 30, 8 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 60.

6. To convene a National Assembly, to enact a constitution and to enforce constitutional government.

7. To invite the participation of foreign capital and the technical cooperation of friendly powers in the economic rehabilitation and industrial development of the country.

8. To promote foreign trade with a view to secure equilibrium in the balance of international payments, to establish the Central Bank of China and unify the currency system with a view to stabilizing the financial system.

9. To readjust the system of taxation with a view to lessening the burden of the people, to rehabilitate the rural districts by rendering relief to homeless refugees in order that they may return to their homes and resume their peaceful vocations.

10. To adopt anti-communism, peace and national reconstruction as the guiding principles in the educational policy, to promote scientific education and discard all misleading tendencies in the educational system of the past.

The proclamation also asserted that "henceforth the National Government is the only legal government within the country and hereafter any decree issued to the nation and any treaty and agreement entered into by the Chungking regime with foreign powers will automatically be invalid."

In conclusion the hope was expressed that the "Chungking regime will sink all prejudices and cooperate in devising ways and means to readjust the present situation and tide over the national crisis."

During the course of a speech made by Mr. Wang at a press reception given after the inauguration ceremony he is quoted as having stated with a view to clarifying the attitude of the "National Government" towards third powers and their nationals that "we shall respect all the legitimate and equitable rights and interests of friendly nations on the sacred principles of equality, reciprocity and mutual respect and it is our sincere hope that we shall be able to number all nations in the ranks of our friends. It is my hope that with the return of the National Government to its capital the powers will realize that Chungking has now been reduced to the status of a regional refugee regime. Certainly we expect the cessation of active sympathy and support towards that peace disturbing regime. The Chungking regime will sooner or later sink all prejudices and cooperate with us in readjusting the present situation. It is therefore improper for others to interfere in China's internal affairs and put obstacles to the realization of permanent peace in East Asia". Mr. Wang also referred to currency matters and in this connection is reported to have stated: "I can assure you that it will be our policy to maintain a stable currency the details of which are now being worked out by the Ministry of Finance. Every effort will be made to save the people from losses in consequence of the depreciation of the dol-

lar and the present confusion of the currency system. It is our aim to devise a currency system which will both meet the requirements of the Chinese people and satisfy the needs of legitimate foreign trade."

Various meetings, parades and theatrical programs are planned for today but the rainy weather may dampen curiosity. A number of Japanese and foreign correspondents who arrived late last night, because their train was partially derailed just outside of Nanking, were present at the inaugural ceremony.

Repeated to Peiping, Chungking and Shanghai, airmail to Tokyo.

STANTON

893.01/703 : Telegram

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

CHUNGKING, March 31, 1940—noon.

[Received March 31—6:37 a. m.]

159. I have received a note from the Minister for Foreign Affairs⁹⁹ dated March 30, accompanied by a translation, informing me that the Japanese militarists have caused to be established at Nanking an organization purporting to be the "National Government of the Republic of China." The memo reiterates that the Chinese Government will never attach validity to any act of this or any other puppet organization and the Government is convinced that no "self-respecting state" will accord *de jure* or *de facto* recognition to Japan's puppet organization in China. The note announced that whatever Japan may attempt to do in China the Chinese Government and people are determined to continue resistance until Japanese troops have been completely driven out of Chinese territory. Copy of text being forwarded by air mail.¹

Repeated to Peiping, Shanghai and Nanking.

JOHNSON

741.94/394 : Telegram

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

Tokyo, April 1, 1940—1 p. m.

[Received April 1—9:10 a. m.]

219. 1. The following is quoted from an informal letter dated today which I have just received from my British colleague:

"I am sorry to see from the newspapers that there is a tendency in the United States to read more into my speech of last Thursday than it deserves. To you who know the British views so well I need hardly

⁹⁹ Wang Chung-hui.

¹ Not printed.

say that these remarks of mine (which were correctly given in the *Japan Times* of the same day) portend no change of policy in regard to China and in particular no intention to recognize the new regime in Nanking. On this point the Japanese Government can be under no possible misapprehension for, in recent interviews with Arita² and Tani,³ I have made it abundantly clear not only that Japanese Government can expect no Britannic recognition of a government which does not enjoy the support of the Chinese people but that, in my opinion, Japanese recognition of that government will be a mistaken and retrograde supposition.

In the main the tone of the speech, which was on a friendly and social occasion, intended as an answer to the German propaganda against us here to which we are being increasingly subjected. As you know, however, my personal opinion is that, in present condition, our objectives (which remain unchanged) are more likely to be attained by friendly than by unfriendly methods."

2. The text of Craigie's speech at the annual luncheon of the Japanese-British Society is being sent forward to Department by despatch.⁴

Cipher text by mail to Shanghai for Peiping and Chungking.

GREW

893.01/716 : Telegram

The Chargé in the United Kingdom (Johnson) to the Secretary of State

LONDON, April 2, 1940—1 p. m.
[Received April 2—9 : 53 a. m.]

816. Department's instruction 1254, March 2, 1940,⁵ and Embassy's telegram 26, January 4, 8 p. m., antepenultimate paragraph.⁶

I had a short conversation last evening with Mr. R. A. Butler, Parliamentary Under Secretary of State for Foreign Affairs, regarding the Far East with particular reference to the new regime at Nanking under Wang Ching-wei. Mr. Butler informed me that the attitude of the British Government toward Wang was in no way different to that expressed to me on January 4 by Lord Halifax⁷ and reported in the above-mentioned telegram. He said that the British Government for the moment must regard the Japanese experiment of setting up a government at Nanking with more interest than confidence. He also said that the Government would seek an occasion

² Hachiro Arita, Japanese Minister for Foreign Affairs.

³ Masayuki Tani, Japanese Vice Minister for Foreign Affairs.

⁴ Not printed.

⁵ Not printed; it transmitted the memorandum of February 21, by the Chief of the Division of Far Eastern Affairs, printed on p. 290.

⁶ Printed in vol. I, in section I under "Activities of the Soviet Union in Eastern Europe, and Soviet Relations With the Belligerent Powers."

⁷ British Secretary of State for Foreign Affairs.

formally this week to make a statement in the House of Commons which would clarify the attitude.⁸ The Government naturally desires to cultivate friendly relations with Japan and will endeavor to make such a statement without "repeals" but at the same time making it clear that as far as Great Britain is concerned the recognized Government of China is that of Chiang Kai-shek.

Mr. Butler mentioned as most unfortunate the coincidence of a recent speech by Craigie in Tokyo with the establishment of the Wang regime. Ambassador Craigie's speech, in which he endeavored to stress certain similarities more apparent than real between the British and Japanese Empires, is greatly regretted here. The speech was made without prior consultation with the Foreign Office and did not represent the views of London. Mr. Butler said that, speaking for the Foreign Office, he did not wish to criticise Ambassador Craigie personally with undue sharpness as they considered him a most valuable Ambassador and had declined to "let him down". He evidently feels it necessary however through a Government statement to dispel erroneous conclusions which may be drawn in Japan and elsewhere from the coincidence of this speech being made on the eve of the announcement of a new set up at Nanking.

JOHNSON

711.94/1465 : Telegram

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

Tokyo, April 2, 1940—9 p. m.
[Received April 2—4 : 25 p. m.]

227. 1. During the last several days a number of important and influential Japanese have sought off the record interviews with me, some of which have lasted for several hours. All of these talks have reflected a deep-seated and widespread anxiety over the present status and trend of American-Japanese relations, an anxiety which has been considerably enhanced by the current rumors of my impending resignation. My categorical denials published both in Washington and Tokyo have not served to allay these rumors. The anxiety arises from the public conception that I see no way out from the so-called stalemate between our two countries and have therefore become discouraged as to any favorable outcome. Those Japanese who are conversant with foreign affairs naturally assume that under whatever ostensible auspices I may return to the United States, the step will reflect the wishes of my Government. The practical effect of these rumors, if any, should be favorable rather than the reverse.

⁸ Mr. Butler made a statement in this sense to the House of Commons on April 3.

2. The public position of Japan is amply reflected in various official statements and press articles reported in my several recent telegrams, but for purpose of ready reference that position may be briefly summarized as follows:

Japan's political policy and action in China will be governed by the principles laid down in the Konoye peace terms enunciated in December, 1938,⁹ which are not at all regarded as the extreme of moderation. The rights and interests of third powers, including those of the United States, will be fully respected and maintained by Japan. This includes observance of the principle of the Open Door although geographical proximity accords to Japan certain special economic interests upon which Japan's national security depends. Every nation whose national security is at stake will always when possible take the necessary measures to preserve that security. These measures envisage no intention to drive American interests out of China. American cooperation in the reconstruction of China will be essential. The establishment of the Wang Ching-wei regime is expected to solve these problems. Admittedly that regime will have to depend for a period of time upon Japanese armed support but every effort will be made progressively to remove Japanese forces. It is fully expected that the Chiang Kai-shek Government will soon collapse and will throw in its lot with Wang Ching-wei. Patience on the part of third powers will bring a reasonable solution of their problems.

3. There are, however, facets to Japanese opinion which did not come to the surface but are being revealed to me in confidence by important Japanese with whom I am in close touch. In spite of the difficulty of epitomizing a series of conversations even with intelligent and comparatively articulate Japanese, I believe that I give in the following paragraph a fair presentation of their attitude which can properly be taken as representing an important cross section of intelligent thought in Japan at the present juncture.

In an extended conversation today an influential Japanese publicist,¹⁰ who has free access to army leaders as well as to important political personages, said: "I have been carefully studying Mr. Hull's statements since the beginning of the China conflict and I have come to the conclusion that he is completely right and that Japan is entirely in the wrong."¹¹ He went on to say that all elements which make up the Japanese body politic, including the army, when "publicly put on the spot", consider it necessary to reflect an uncompromising attitude in respect of policies and objectives in China, but that privately each one of these elements is anxious to find a way out of the growing difficulties with the United States as well as with China. In fact, one or

⁹ See statement by the Japanese Prime Minister, December 22, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 482.

¹⁰ Tetsuma Hashimoto, leader of the Shiun-so.

¹¹ For latest statement by the Secretary of State on the Wang Ching-wei regime, dated March 30, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 59.

two of the Japanese with whom I have recently talked are so close to certain army leaders that they might quite conceivably be acting as spokesman for the latter.

4. The views which are being privately expressed to me are substantially as follows:

(a) The objective avowed during the early period of the China conflict—that of obtaining economic security by monopolies and other manifestations of a privileged position in China—is now realized as running directly counter to the only means by which peace can be assured, not only in the Far East but in the rest of the world, that is, by free access to markets and raw materials. The acquiring of the end of self-sufficiency at the cost of foreign rights and interests diplomatically will not compensate Japan for the loss of the friendship of the great commercial powers. Therefore such settlement as may be finally reached with China must be one which fully recognizes the needs and rights of those powers in China as well as of the needs and rights of both Japan and China. (By way of comment, I should add that the invariable response of these Japanese to the evidence which I have presented to them that monopolies and exclusive enterprises are being established almost every day by the Japanese in various parts of China is that these monopolies and enterprises grow out of the needs of the military situation and will be abolished as soon as the hostilities are concluded.)

(b) Any approach toward peace along the lines above suggested is blocked however by three aspects of Japanese policy; first, the declaration that Japan will no longer “deal with Chiang Kai Shek”;¹² second, the declaration that foreign powers will not be permitted to interfere in the China conflict;¹³ and third, failure by Japan to define the “new order in East Asia”. These three points are closely inter-related: no settlement from which Chiang Kai Shek and third powers are excluded can be permanent, while no response on the part of Chiang Kai Shek or the foreign powers to any Japanese peace initiative can be expected so long as Japan does not or cannot disclose its specific exceptions for cooperation with China and with third powers in respect of their individual and common rights in China.

5. I present these views merely as a piece of objective reporting and I wish to make it clear that they are well in advance of public opinion. They are, nevertheless, held currently by persons who are beyond question in a position to reflect currents of opinion in the most influential quarters. My contacts are such that I believe I shall be able to inform the Department if and when these constructive trends of thought obtain any measure of secure footing among those who are able to implement Japanese policy.

¹² Statement by the Japanese Government, January 16, 1938, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 437.

¹³ See statement by the Japanese Foreign Office, April 17, 1934, *ibid.*, p. 224; cf. *Foreign Relations, 1934*, vol. III, pp. 112 ff.

6. It is needless to state that in all of these conversations I have faithfully reflected the point of view of the American Government and people in principle and in detail.

GREW

893.00/14531 : Telegram

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

CHUNGKING, April 3, 1940—10 a. m.

[Received 10:46 a. m.]

163. Various reliable sources who have been repeatedly canvassed during the past month by McHugh¹⁴ as to the exact state of affairs between the Central Government and the Communists insist that the tension eased about 3 weeks ago after a conference here with the Generalissimo when, despite attempts by certain Government military leaders to jockey him out of the Government, the Communist representative was permitted to air his views for 2 hours after which Chiang Kai-shek himself exhorted the conference toward greater cooperation, forbearance and discipline. A discussion as to the exact number of *hsien* which the Communists shall control is apparently still unsettled, the Government having agreed to increase it from 12 to 18 and the Communists holding out for more. It has been agreed, however, that their former military allowance of pay and equipment for 3 full divisions will be increased to equipment for 6 and pay for 9 such units. Chiang has been repeatedly quoted by those close to him, however, as being adamant on the point that the Communists in the future must obey the orders of the Central Government.

Report of clashes between the Communists and Central Government troops in Shansi and especially Hopei continue, it being alleged that the former forces now control all but three districts in the latter province. Nevertheless this is believed essentially to be a series of local clashes for power which are regrettable but not necessarily fatal to improved relations between their superiors. Chou En-lai¹⁵ recently returned from Moscow to Lanchow and has gone to Yen-an, Shensi, and that it is believed he is expected here shortly and the general belief is that this will further ameliorate the situation although there is no specific information as to what he has learned.

Both Donald¹⁶ and T. V. Soong¹⁷ insist that the recent arrival here of Madame Sun Yat-sen¹⁸ with her two sisters from Hong Kong

¹⁴ Maj. J. M. McHugh, U. S. M. C., Assistant Naval Attaché in China.

¹⁵ Secretary General, Chinese Communist Party and Vice Commander, Chinese Soviet Military Council.

¹⁶ W. H. Donald, Australian adviser to Generalissimo Chiang Kai-shek.

¹⁷ Chairman, Board of Directors, Bank of China.

¹⁸ Widow of the Chinese revolutionary leader and sister of T. V. Soong, Mme. Chiang Kai-shek and Mme. H. H. Kung.

has nothing whatever to do with the Communist situation. They pointed out that although she is a rank leftist she has never been directly connected with the Eighth Route Army clique. They admit, however, that she might be receptive to appeals and prove to be a possible source of further dissension. The presence of the three ladies at this time, however, is solely for the purpose of presenting a united family front to the world during the Wang Ching-wei crisis.

It is requested that the substance of the foregoing be made available to the Naval Attaché¹⁹ and Navy Department.

Repeated to Peiping and Shanghai.

JOHNSON

893.01/717 : Telegram

The Minister in Thailand (Neville) to the Secretary of State

BANGKOK, April 3, 1940—11 a. m.

[Received April 3—3:54 a. m.]

15. The Foreign Office has been approached by the Japanese press for a statement in regard to Wang Ching Wei government. Reply will be non-committal. The Prime Minister told me today that this country will not have relations with it.

NEVILLE

793.94/15801 : Telegram

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

TOKYO, April 10, 1940—5 p. m.

[Received April 10—7:45 a. m.]

240. We are informed by the French Embassy that, although there have been no recent bombings of the Yunnan Railway, on account of certain critical articles appearing in the Hong Kong press, such as preceded previous bombings, the French Embassy had been apprehensive of a new Japanese attempt on the railway. The Counselor accordingly recently visited the Foreign Office in an endeavor to forestall such action. The Chief of the Division of Europe and Western Asia, with whom he discussed the matter, repeated the Japanese contention that Japan has a right to prevent war materials from reaching Chiang Kai Shek to which the Counselor took exception and observed that any [renewal?] of bombings would prevent the establishment of a friendly atmosphere for the inauguration of commercial talks. According to the French Embassy here also, the German Embassy in Tokyo is bringing pressure to bear upon the Japanese

¹⁹ At Peiping.

Foreign Office to allow Germany to arrange some sort of a deal between Japan and Russia and is asserting that Japan will get much more from such an arrangement than by "playing with" the French and British.

GREW

793.94119/632

*Dr. J. Leighton Stuart to President Roosevelt*²⁰

HONG KONG, April 10, 1940.

MY DEAR MR. PRESIDENT: Claiming again the privilege of writing you regarding American aid to China in view of your concern over this subject as revealed in our conversation early in May, 1933, I should like to report to you some statements recently made to me by General Chiang Kai-shek in Chungking. It happens that I had been approached several times by Japanese representing groups anxious to find a solution for ending the present conflict. I always replied that there would be nothing gained by opening negotiations with the Chinese Government until the Japanese authorities were themselves ready to do so on the only terms that General Chiang could possibly consider and unless those who undertook these were really able to speak for the Japanese nation.

In such discussions I also tried to make it clear that not only I as an individual but the American Government and people as a whole desired China and Japan to have relationships of mutual benefit, whatever might be the consequences to ourselves, that we were only concerned that China be free from coercion and have her territorial integrity and political independence assured. In reporting these experiences to General Chiang he told me, however, that he would not consider any peace negotiations except through the President of the United States. This is because of his confidence in American friendship for China and in our sense of international morality. It is also a very genuine tribute to you personally. I asked if I might report this to our Ambassador and did so upon securing his permission. It may seem superfluous or even to savor of meddling for me to write to you in addition. But I felt that you might care for this unofficial account of what is a momentous decision.

In asking the Generalissimo if I might write you he consented on the express understanding that he was not asking for such mediation now nor would he be ready for any such proffer for some time yet, even from you. What I take him to mean is that the Japanese are a long way yet from being sufficiently desperate to agree to a procedure

²⁰ Dr. Stuart was American president of Yenching University, Peiping. The Department, in its instruction No. 813, April 29, sent the Embassy at Peiping a copy of Dr. Stuart's letter and authorized appropriate acknowledgment to be made.

so contrary to their interest and so humiliating to their pride, and that China prefers to continue the struggle until a peace can be arranged that will guarantee her freedom from further aggression. This implies of course the withdrawal of all Japanese troops from south of the Great Wall and either the inclusion of Manchuria in the discussions or the frank recognition by both parties that this issue remains unsettled.

Knowing from your own lips of your active desire to do something for China may I bring to your attention what seems to be the most practical form such help could take, apart from an economic embargo against Japan. Let me first confess that I am writing now entirely on my own initiative and that this topic did not even enter in to my conversation with the Generalissimo. Could there not be some form of further financial assistance to China? The most effective would be an outright loan. This would strengthen confidence in the currency and reduce the danger of inflation. Or the actual money could be held in America to China's credit under certain stipulated conditions. Or there might be an extension of long terms commercial loans, or some other method of helping toward exchange stabilization. Those qualified can advise on the technical aspects. But the essential point is that while there will probably be no financial collapse the heaviest strain is at this point and that with comparatively small assistance China's financial and political integrity are assured. The risk seems to be very slight indeed and the benefits, even from the somewhat sordid standpoint of our own self-interest, are enormous. Meanwhile the sobering warning to Japan which such aid implies is a cogent secondary argument for it.

When the time for peace discussions draws near there are relevant questions as to anachronistic foreign rights in China (extra territoriality, settlements, etc.), which should be included. Among other advantages this would ease the Japanese approach to the whole issue.

If in some slight measure I can be of use to you in this delicate but supremely worth-while task which seems to be awaiting you, I am at your service.

With sincerest good wishes [etc.]

J. LEIGHTON STUART

893.01/760 : Telegram

The Secretary of State to the Ambassador in Spain (Weddell)

WASHINGTON, April 13, 1940—2 p. m.

45. A secretary of the Chinese Embassy called at the Department on April 9 and stated that the Chinese Government has information that the Spanish Government, although it has no diplomatic representative

in China, is likely to recognize shortly the Wang Ching-wei regime set up at Nanking on March 30. He asked whether this Government would be disposed to take any action looking to dissuading the Spanish Government from taking such a step. The Department desires that you take no initiative in this matter but suggests that should the subject be brought up by Spanish officials, you bring to the attention of those officials the attitude and position of this Government as set forth in the statement to the press of March 30,²¹ quoted in Radio Bulletin No. 76.

HULL

893.01/755 : Telegram

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

Tokyo, April 15, 1940—4 p. m.

[Received April 16—3:40 p. m.]

246. 1. General Abe, appointed Ambassador to negotiate a treaty with the Wang Ching Wei regime, as a basis for *de jure* recognition by the Japanese Government, left Tokyo this morning for Kobe where he takes a Government transport for Shanghai on April 18. He is accompanied by a staff of 25 persons, including Counselor of Embassy Hidaka, former Ambassador to Italy Hotta, and former Director General of the Planning Board Aoki. The party is due to arrive at Nanking on April 23.

2. Although the negotiation with the Wang regime looking toward "a basic adjustment of Sino-Japanese relations" is widely emphasized, the fact is of course that General Abe is going to Nanking to negotiate primarily with the Japanese military high command in China.

3. Hidaka, who I believe is basically friendly to the United States, called on me a few days ago to say good-bye, and I took advantage of his visit to set forth at length the position of the American Government and people with regard to American rights and interests in China. I asked Hidaka to repeat to General Abe my statement, which was clear and definite although of an informal character.

Peiping please repeat to Chungking, Shanghai and Nanking.

GREW

711.94/1474 : Telegram

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

Tokyo, April 17, 1940—7 p. m.

[Received April 17—11:30 a. m.]

256. My 227, April 2, 9 p. m. 1. I have continued to talk individually with several Japanese who, although not now in official life, have

²¹ *Foreign Relations*, Japan, 1931-1941, vol. II, p. 59.

in the past occupied important posts in the government and for this and other reasons are in a position to know current trends of thought in the highest governmental and other influential quarters. In these most recent conversations we have covered again a great deal of old ground, the scope of which is indicated in my telegram under reference, and I therefore present hereunder those features which cover new developments.

2. One of my informants recently discussed with the Prime Minister the possibility of withdrawing the official Japanese declaration of January 1938 that Japan would no longer deal with Chiang Kai Shek,²² pointing out there could be no permanent settlement of the conflict with China with any group of Chinese from which Chiang Kai Shek was excluded. Admiral Yonai replied that the declaration had already been modified by the declaration of his predecessor that Japanese would be prepared to treat with Chiang if he abandon[ed] his alliance with the Communists.

3. All my informants are agreed that the war in Europe is progressively weakening Japanese confidence in the validity, from a purely pragmatic point of view, of the new order in East Asia conceived in terms of a self sufficient economic unit. The doctrine of economic self sufficiency was in high favor when the China conflict began and when there seemed to be no alternative to the division of the world into economic blocs such as that envisaged by the Ottawa agreement,²³ but the belief is growing that, whatever might be the outcome of the war in Europe—whether a victory for the Allies or a deadlock (a conclusive victory by Germany is not envisaged by my informants as a possibility)—it is certain that there will be a universal new order to liberalize opportunities to all nations for acquiring of primary commodities and for sale of manufactured goods. The impracticability of maintaining in such eventuality a self sufficient bloc in the Far East is perceived with growing clearness.

4. One or two of my informants believe that the new tax laws which are to become effective within the next few weeks and the increasing difficulty in maintaining exports due to the high costs of raw materials will effectively moderate popular support for the China adventure. I do not fail to evaluate at this time the importance of these considerations but the fact remains that those factors which make for a modifying of Japanese objectives in China are now occupying far more attention than those factors which work towards the maintenance or enlarging of such objectives.

GREW

²² *Foreign Relations, Japan, 1931-1941*, vol. I, p. 437.

²³ British Cmd. 4174 (1932): *Imperial Economic Conference at Ottawa, 1932, Summary of Proceedings and Copies of Trade Agreements* (Appendices published separately in Cmd. 4175).

711.94/1474a : Telegram

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

WASHINGTON, April 22, 1940—8 p. m.

125. A United Press despatch dated today reports that Rear Admiral Taussig, former Assistant Chief of Naval Operations, told the Senate Naval Affairs Committee that he believed a war between Japan and the United States is inevitable.

At my conference with correspondents today, in reply to a question whether I was familiar with Admiral Taussig's statement, I said that of course this Government has well-defined attitudes and policies in its international relations as they relate to all of the important phases and that I think they are well known. I added that Admiral Taussig, who seems to have been testifying, was presumably expressing his individual views, so far as I knew. The Navy later today repudiated the entire statement and strongly disclaims having any one country in mind.²⁴

HULL

893.00/14541 : Telegram

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

PEIPING, May 1, 1940—4 p. m.

[Received May 1—12:05 p. m.]

146. Peiping's 99, March 28, 4 p. m. and Chungking's 163, April 3, 10 a. m. Mr. Lucius Porter, American educator, who has just returned from a visit to northern and central Shansi Province, reports that during his trip he talked with a number of substantial Kuomintang and Chinese "Communist" officials from whom he states he learned that (1) the two parties have definitely arrived at an agreement, (2) the Kuomintang and "Communists" are to redouble their efforts at cooperation in opposing Japan, and (3) the Kuomintang has allotted to the "Communists" the five provinces of Ninghsia, Kansu, Shensi, Shansi and Hopei in which areas the "Communists" are to have complete freedom of action in developing their theories of Government.

Repeated to Chungking, Shanghai; by airmail to Tokyo.

SMYTH

²⁴ A Navy Department press release of April 22 gave a statement by the Chief of Naval Operations Stark that Admiral Taussig's testimony was contrary to Navy Department views.

793.94/15848: Telegram

The Ambassador in France (Bullitt) to the Secretary of State

PARIS, May 3, 1940—5 p. m.

[Received 5:05 p. m.]

573. Chauvel showed me this morning a number of telegrams from the Far East controlling feature of which gave a fairly clear idea of the French position.

He stated that about March 8 when transit over the French railroad from Indochina to China had been resumed the Japanese Ambassador in Paris had called on him to say that if oil and trucks should be shipped over the railroad the railroad would again be bombarded by the Japanese.

He, Chauvel, had replied that oil and trucks were already going forward over the railroad and that it seemed to him extraordinary that the Japanese Government should consider bombarding the French railroad at a time when the Japanese Government was engaged in commercial negotiations with the French Government.

Fifty days had passed and the Japanese had not bombarded the railroad. Then about 8 days ago the railroad again had been bombarded.

Chauvel showed me a telegram from the French Ambassador in Tokyo received yesterday giving the details of the protest he had made on instructions from his Government against this bombardment. The reply of the Japanese Foreign Minister was that he and the Government were opposed to bombardments of this railroad but that it was very difficult to restrain the Japanese military leaders. The Japanese Minister for Foreign Affairs then indicated that he would make a further effort to persuade the Japanese military leaders not to bombard the railroad.

Chauvel showed me also a telegram from the French representative at Tientsin which indicates that the Japanese blockade of the French Concession was now much more severe than the blockade of the British Concession.²⁵ This telegram also contained the statement that the Japanese in the Tientsin area were saying that France not England was now Japan's chief enemy.

With regard to the Tientsin situation a telegram from the French Ambassador to Tokyo stated that he had said to the Japanese Minister for Foreign Affairs that the French Government would be disposed to make a settlement of the question of the silver at Tientsin on all fours with the settlement the British had negotiated on condition that before this settlement should be agreed upon the blockade of the

²⁵ See also pp. 840 ff.

French Concession should cease. The French Ambassador added that this statement had pleased the Japanese Foreign Minister greatly.

Chauvel had little information about the present status of the efforts of the French and British to prevent shipments to Germany from Japan via Vladivostok. He said that this matter was being handled by the British and by the joint committee in London. He expected to have more information as soon as Rist²⁶ should reach Paris. He could assure me, however, that the fears of the Chinese that French policy with regard to the Far East would be altered in order to obtain a cessation of Japanese shipments to Vladivostok were groundless.

Incidentally Paul Reynaud²⁷ made the same statement to me this morning and added that there had been no change whatsoever in French policy vis-à-vis Japan and China.

The Chinese Ambassador, Wellington Koo, called on me this morning and expressed the fears alluded to above. I gave him as a personal impression exactly the reply which Reynaud and Chauvel later made to me.

The Chinese Ambassador also said to me that he had reason to believe that the Spanish Government was thinking of recognizing the Wang Ching Wei regime in China and would be obliged if I could obtain some information on this subject from our Embassy at Madrid.

Chauvel on the contrary expressed to me exactly the opposite opinion. He said that the French Government had a private indication that the Spanish representative in China desired to go to Chungking.

Wellington Koo also said to me that he understood that there had been some discussion of a loan from France, England and the United States to China to be secured by Chinese supplies of wolfram and antimony.²⁸ He asked me if I knew anything about the latest developments with regard to this question.

I replied that I had no information on this subject.

I gathered that Wellington Koo, in his discreet manner, was approaching a subject which Li Yu Ying²⁹ had taken up with me a few days ago.

Li Yu Ying said that T. V. Soong had cabled him, urgently directing him to obtain my personal opinion as to the advisability of his making a trip to the United States at the present time in connection with negotiations for the sales of various Chinese metals and the development of the production of these metals in China. I replied that I knew nothing about any such negotiations and I must decline to express any opinion on the subject.

²⁶ Prof. Charles Rist, Economic Adviser to the French Ministry of Blockade.

²⁷ President of the French Council of Ministers (Premier).

²⁸ See also pp. 636 ff.

²⁹ Member of the Kuomintang Central Supervisory Committee; in Europe from the autumn of 1939.

Li Yu Ying who is usually more discreet insisted no less than four times on having an expression of my opinion about the advisability of a trip by T. V. Soong. Finally I was obliged to say that it was not my habit to express opinions on subjects about which I knew nothing and that I hoped he would telegraph just that to T. V. Soong.

Li Yu Ying will return to Paris from Geneva in a few days and I should be obliged if you could give me some indication as to the reply you would wish me to make to him if he should again bring up the question of T. V. Soong visiting the United States in the near future.

BULLITT

711.94/1489 : Telegram

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

TOKYO, May 3, 1940—midnight.

[Received May 3—8:24 p. m.]

302. From High Commissioner Sayre.³⁰ I have had three conversations with the Minister for Foreign Affairs. The first of these took place on May 1 when I was presented to Mr. Arita by Ambassador Grew. At the conclusion of that conversation Mr. Arita expressed the hope that he might have an opportunity for a further talk with me, and subsequently he asked me to call on him yesterday, May 2. After an hour's conversation yesterday, he said that he would like to think over some of the things which I had said in order that we might continue our talks. We met again today, and at Mr. Arita's request we have agreed to meet on May 6 for a final conversation. The three conversations which I have already had with Mr. Arita are summarized as follows:

1. *May 1.* The conversation was devoted almost exclusively to the Philippine immigration bill. I explained that the organic act of the Commonwealth³¹ confers on the Philippine Assembly full and unrestricted power to regulate and also that subject to the provision that enactments concerning immigration shall not become law until approved by the President of the United States. I pointed out that the reduction in the annual quota of immigrants from each country from 1,000 to 500 was brought about by an amendment introduced during debate on the floor of the Assembly. I further explained that the bill was not discriminatory against Japan or any other nation and arose solely from the need for legislation to regulate problems of immigration from various parts of the world in order that difficulties which would inevitably arise from the unrestricted entry of aliens might be

³⁰ Francis B. Sayre, United States High Commissioner in the Philippines.

³¹ Philippine Independence Act, approved March 24, 1934; 48 Stat. 456.

forestalled. I emphasized that the object of the Commonwealth Government in enacting the bill was to prevent and avoid future misunderstandings with the Japanese and other nations.

I next spoke of the activities of the Japanese Consul in Manila, and referred to the Consul's efforts to cause President Quezon and the members of the Philippine Assembly to bring about amendments in the immigration bill favorable to Japan. I explained to Mr. Arita that if diplomatic representations of any kind with respect to the Philippines are to be made they should be made in Washington or Tokyo through ordinary diplomatic channels, or else the matter should be taken up in Manila through the High Commissioner's office. I explained that the Japanese Consul's action in talking directly to President Quezon and the members of the Philippine Assembly about pending Philippine legislation was therefore quite irregular.

Mr. Arita paid close attention to all that I said and made no objection or criticism. He said that he was glad to have my explanation and his silence appeared to indicate his assent to what I said.

2. *May 2.* Mr. Arita began the conversation by asking me what my views are with regard to the situation in the Far East, I said that if he wished me to speak unofficially and privately I would do so, but that he had to understand that I was not commissioned by my Government to express its views. I explained that I was here simply on a friendly visit to see Ambassador Grew and that any official statement of American views could be conveyed to the Japanese Government only through the Ambassador. Several times during the course of the conversation I reiterated and emphasized the unofficial nature of my conversation. Mr. Arita said on each occasion that he understood.

I began by saying that the present difficulties and tensions between the United States and Japan focused upon developments rising out of Japanese actions in China. I referred in this connection first to the unjustifiable bombings of American properties in China³² which had caused strong resentment among the American people, and second to the forcing out by the Japanese of American enterprises in China through various monopolistic practices.³³ With regard to Japan's future policies, I thought that sooner or later Japan would have to choose to throw in her lot either with the United States and the other democracies or with Germany and possibly Russia. I referred to the complementary character of the trade between the United States and Japan, and I said that if Japan, taking the long view, should decide to throw in her lot with the democracies, it is manifestly to her interest to begin at the earliest possible moment to remove the difficulties between the United States along with the other democracies and herself.

³² See also pp. 359 ff.

³³ See also pp. 484 ff.

I touched on the dangers of unduly prolonging the tension in relations with the United States, and I said that it seemed to me important that Japan find a solution of her difficulties with China as soon as possible.

Mr. Arita expressed substantial concurrence with my statements. He added that the real difficulty was to find terms which would be equally acceptable to both China and Japan. Japan had already stated her terms and it was now up to Chiang Kai-shek to state his. He asked me if I knew whether General Chiang had any definite terms to propose. I replied that I did not know, as I had not talked with General Chiang, but that I had been told by Dr. Leighton Stuart that General Chiang had stated to him (Dr. Stuart) that Chinese Government would not enter into negotiations with Japan except upon the basis first, that China have complete and entire independence south of the Great Wall and second, that the question of Manchukuo either be left open or be the subject of negotiation. According to Dr. Stuart, General Chiang would insist upon the President of the United States mediating between the two countries. I emphasized to Mr. Arita the [that] I assumed no responsibility whatever for the accuracy of the information which I had received from Dr. Stuart and further that I had no idea how the President would respond to request by China and Japan that he use his good offices toward the reestablishment of peaceful relations between the two countries. Mr. Arita said that he would like to give study to my statements and he asked me to call on him again today.

3. *May 3.* Yesterday's conversation took place at the Foreign Minister's official residence, and it was agreed that I would return today to the residence. However, before the time of our appointment, Mr. Arita sent a message to the effect that he would meet me at the home of a private Japanese, who is, I understand, one of Mr. Arita's close friends. When we met, Mr. Arita said that the Japanese Government must in every way support the Wang Ching Wei regime and such negotiations as there might well be with General Chiang would have to be carried on through such regime—to enter into direct negotiations would be bound to weaken the Wang regime. He felt that the chances are small of finding a basis of negotiations, in view especially of General Chiang's lack of eagerness to enter into negotiations with Japan.

He assured me, however, that his Government would not deliberately avoid exploring any route which might lead eventually to peace, and he believed that the Japanese Government probably would be willing to send a representative to some neutral territory, such as Hong Kong, to confer with a representative of General Chiang with a view to searching for a basis of negotiation. The essential condition to proceeding with any such plan would be that it be kept completely

secret. If a meeting could be held in secret and no publicity whatsoever given to it as yet and if a satisfactory basis for negotiations could be found, then it might be practicable to proceed with formal open negotiations. He said that he would consult the Prime Minister and that he would discuss the matter again with me on Monday following the luncheon which the Foreign Minister is giving in my honor. [Sayre.]

GREW

711.94/1487 : Telegram

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

TOKYO, May 4, 1940—1 a. m.
[Received May 3—3:14 p. m.]

301. In view of all the widespread speculation in the press concerning Mr. Sayre's conversations with the Minister of Foreign Affairs, the following communiqué was agreed upon by Mr. Sayre and Mr. Arita and was released to the press at 7 p. m. today [May 3]:

"The recent entirely informal talks between the Foreign Minister and the American High Commissioner to the Philippine Islands have been aimed merely at clarifying certain aspects of Japanese-American relations. They were not planned in advance and they have developed normally as a result of Mr. Sayre's visit to Japan, and in conjunction with the conversations of Ambassador Grew with the Japanese Government. From the point of clarification they have proved helpful."

GREW

711.94/1490 : Telegram

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

TOKYO, May 4, 1940—5 a. m.
[Received May 3—8:40 p. m.]

303. Our 302, May 3, midnight. I am making available to Mr. Sayre the content of instructions which I have received at various times with regard to the attitude of our Government in respect of requests for "mediation" or "the extension of straight communication" which might be made by the Japanese Government or by the Chinese Government or by both Governments. Mr. Sayre is taking every precaution against giving any impression that the American Government is willing or prepared to take any initiative whatever in the matter, and he will be on the alert during the conversation, which he is to have on Monday with the Minister of Foreign Affairs, to deal conclusively with any suggestion which might be made that the Chinese Government be sounded out by us.

GREW

793.94/15849 : Telegram

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

Tokyo, May 4, 1940—noon.

[Received 1:47 p. m.]

304. The following is the substance as reported in the press of remarks made by the Foreign Minister at an anniversary dinner of the Japan International Association last night.

"In our relations with third powers about the same phenomena were seen immediately after the outbreak of the China war as after the outbreak of the Manchurian incident. Immediately after the Manchurian incident some people advocated 'taking China now that we've got Manchuria'. Also irritated by the Stimson statement,³⁴ the same hot-heads cried 'punish America'. Now such utterances are sheer stupid blustering that cannot be permitted to circulate for one second. The foreign policy at the time was centered on the settlement of the Soviet-Japanese issues and regulations of relations with Britain and the United States. Then came the China war. Despite the local settlement policy of Japan, hostilities spread and friction with other powers arose. The same sort of hotheads cried that war should be waged also with the Soviet Union or that Britain and the United States should be punished. But such reckless proposals as pointing to war with third countries are utterly untenable as part of diplomatic policy. The primary object of Japan's diplomatic policy is to settle the China war by avoiding friction with other powers as far as possible. This is only what is reasonable in the present circumstances but I regret to see that it is not thoroughly understood by the people. Japan is striving to expand productivity while carrying [on] the holy war but this is no easy job. But Japan must regulate its relations with other powers while pushing such policies at home. The Soviet Union while it was carrying out its expansion program advocate[d] the doctrine of peace on the outside and concluded nonaggression pacts with its neighbors. This is because it would not have been to its advantage to go to war before it became sufficiently strong. So it cried peace whenever it had any occasion to speak. At any rate our policy is to regulate relations with the Soviet Union and other powers. Especially important are American-Japanese relations. Just now they are pretty bad. It will be my task not to aggravate them even if we lack a treaty of commerce and navigation by which to guarantee the amity.³⁵ I think the American Ambassador to Tokyo is of the same mind. Japan must support the Wang Ching Wei regime to the last and crush the Chungking regime by armed force as quickly as possible, thereby securing an early peace. Now there are not lacking those who are spreading the gloomy view that the Wang Ching Wei Government is incompetent. But it is dangerous merely to look at its defects and

³⁴ On January 7, 1932, Secretary of State Stimson stated the nonrecognition-doctrine policy in identic notes for Japan and China; see telegrams No. 7 to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 76, and No. 2 to the Consul General at Nanking, *Foreign Relations, 1932*, vol. III, p. 7.

³⁵ See also pp. 625 ff.

pronounce it unworthy of Japan's support. We have no better plan at present than to safeguard the Wang regime and push our settlement of the war. In the European war the position of the neutrals is being ignored. Japan because of its geographical position has hardly any experience of having been a neutral while neighbor powers fought around it. Thus the people are lacking in training as a neutral. They are for this reason apt to fly off the handle over an affair like the *Asama Maru* incident.³⁶ In the present European war there have been many infringements of the rights of neutrals by belligerents. Japan will have a hard time protecting its right as a neutral. At this time it is essential that the people should realize the exact nature of the situation and deal with difficulties calmly and with good judgment."

Shanghai please repeat to Peiping and Chungking.

GREW

711.94/1490 : Telegram

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

WASHINGTON, May 4, 1940—2 p. m.

142. Your 302, May 3, midnight, and 303, May 4, 5 a. m. We are glad to note that Mr. Sayre has made it clear to the Minister for Foreign Affairs that he has not been commissioned by his Government to express its views and that the comments which he has made to the Minister for Foreign Affairs in the conversations of May 2 and May 3 were made unofficially and privately. We are somewhat disturbed over the possibility that the fact of Mr. Sayre's having held such extensive conversations with Arita may be played up in Japanese publicity. We are still unable to envisage in the situation as it has developed to date possible terms of agreement which would appear likely to be acceptable to both the Chinese and the Japanese Governments, and which would be consistent with the principles in which we believe, and the position which we have consistently maintained that a settlement, to be satisfactory, must be fair to all concerned. Our views in this regard are strengthened by the tenor of the statements made by Mr. Arita to you and to Dooman³⁷ in conversations recently reported upon.³⁸ We do not wish to give any countenance to or to be in any way connected with any indirect or secret approaches between Japanese and Chinese authorities, or, for the present at least, to be in any way a channel or vehicle for any informal communications between them. We suggest that in his final conversation next Monday Mr. Sayre hear whatever Mr. Arita may wish to say; if Arita makes any

³⁶ On January 21, a British naval party removed 21 German seamen from the Japanese trans-Pacific passenger ship *Asama Maru*, 100 miles out from Yokohama.

³⁷ Eugene H. Dooman, Counselor of Embassy in Japan.

³⁸ For report on conversation with Mr. Dooman, see telegram No. 289, April 27, 2 p. m., from the Ambassador in Japan, p. 514.

proposals, state that he will inform you of them; and in conclusion say that he will make through you full report upon what has transpired.

WELLES

711.94/1495 : Telegram

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

TOKYO, May 6, 1940—midnight.

[Received May 6—8: 37 p. m.]

311. Department's 142, May 4, 2 p. m. Mr. Sayre, after his talk with the Minister for Foreign Affairs today, submitted to me a memorandum of the conversation which I quote below in full:

"At the conclusion of the luncheon given me by Mr. Arita, the Foreign Minister, today Mr. Arita took me upstairs in order to continue our conversation of last week. Mr. Arita began by saying that he had talked over with the Premier the matter which we had discussed and he then orally gave me the following reply, translating from a Japanese memorandum which he had previously prepared:

'In view of all the circumstances in connection with the situation and in particular because of our policy of assisting the Wang Ching-wei regime in every possible manner it would not be appropriate for the representatives of the Japanese Government to get into direct negotiations with Chiang Kai-shek at this time. It is desirable therefore, supposing Chiang Kai-shek has the intention of relinquishing his anti-Japanese and pro-communistic policy and of bringing the present hostilities to a stop, that he should get into direct negotiations with Wang Ching-wei. I think there will always be a way open for the Chinese to enter into conversations between themselves (namely between Chiang Kai-shek and Wang Ching-wei). But if Chiang Kai-shek should find it impossible for the present to enter into conversations with Wang Ching-wei, "it would be an idea for him" to enter into negotiations with our military representatives with the object of arranging for the cessation of general fighting.

If Chiang Kai-shek is inclined to do so I shall be ready to arrange to send our military representative to some neutral spot, for example to Hong Kong or Manila, in order to meet in strictest secrecy and in an informal manner Chiang Kai-shek's representative in order to negotiate concerning the conditions of the cessation of actual fighting. If you (namely Mr. Sayre) propose to offer your good offices to arrange for such a meeting I shall accept with pleasure such a proposal.'

Mr. Arita repeated this message a second time so that I could have a chance to write it down as he dictated the rough translation.

I replied to Mr. Arita that I much appreciated this reply. I recalled, however, our conversation last Friday when we agreed that each of us would give the matter further thought and that he would discuss the matter with the Prime Minister and I similarly would discuss the matter with Ambassador Grew. We agreed that we would then exchange at this afternoon's meeting the conclusions thus reached. In pursuance of this arrangement I said that I had talked the whole matter over with Ambassador Grew to whom I had reported all of our conversations. I said that Ambassador Grew and I after giving considerable thought to the situation had independently reached the same conclusions. I reminded Mr. Arita that the whole purpose of such a preliminary exploratory conference as proposed would be

defeated if there were any leaks; and I said that both Ambassador Grew and I felt that for an official of a third government to participate in any way in the arrangement of such a meeting would unduly increase the danger of leaks and that it therefore seemed wise to each of us that no American Government official should participate in any way in arranging for such a meeting.

I also reminded Mr. Arita of his statement at our last meeting that in his judgment the chances for reaching a reconciliation at this time are extremely small; and I said that I had been thinking over this statement of his and in view of it I could not but wonder whether the time was yet ripe for such a meeting. I also spoke of the danger to himself and to the Japanese Government as well as to the American Government if any leaks should occur. In view of all these circumstances I said to him that I feel sure that if the Japanese Government deigns to enter into such preliminary secret exploratory conversations with a representative of Chiang Kai-shek the Japanese Government did not lack the means of arranging for such a conference and that I felt that at least at this time it would not serve any useful purpose for an official of the American Government to participate in arranging for such a meeting. Mr. Arita then said that under these circumstances it would be better for him to withdraw the more or less formal reply which he had made and to forget the whole matter. To this I agreed. I added that I would however inform Ambassador Grew of everything so that he could report it to the Department.

I also cautioned Mr. Arita that it might prove highly injurious if any leak should occur as to the topic of our conversation and that I felt that he would agree with me that this should under no circumstances be divulged. He agreed.

We next spoke about the Philippine immigration bill. Mr. Arita said that he had not replied to my explanations of last Wednesday morning because he wanted to study the matter further. He said that now he had done so and that although he recognized that the enactment of the legislation from the technical and legal standpoint was entirely unobjectionable he did feel that it was unfair to the Japanese. When I assured him that the bill was in no way directed against the Japanese and that its terms applied equally to the citizens of every nation and that the object of the legislation is to regularize the whole question of immigration into the Philippines he agreed that the legislation was not discriminatory. He went on to say however that cutting down the number of immigrants each year to 500 would hurt the Japanese and he asserted that the gross annual number of Japanese immigrants in to the Philippines was over 2,000. He said that cutting the number from 1,000 to 500 was unfair and injurious. I reminded him again that the original bill as first drafted allowed an annual quota of 1,000 and I told him that the cutting of the quota from 1,000 to 500 was first proposed on the floor of the Commonwealth Assembly and that the cutting of the quota was therefore the action of the Commonwealth authorities over which the United States had no direct control other than through the approval or disapproval by the President of the United States of the bill in its entirety.

The conversation then passed on to the activities of the Japanese Consul General in Manila. Mr. Arita said that he would not undertake to pass on the actual facts involved in the Consul General's con-

duct with regard to the immigration bill but that although he recognized that the Consul General should not enter into conversations with members of the Commonwealth Assembly in order to influence pending legislation he nevertheless asked whether the Consul General might not give facts and statistics to members of the Assembly particularly if he was approached originally by them. I replied that giving facts and statistics was very frequently for the very purpose of influencing legislation and said that a Consul by doing so opened himself to the charge that he is seeking to influence legislation since no one can tell what might be in his mind. After discussing this aspect of the matter, Mr. Arita finally agreed that he would instruct the Japanese Consul General in Manila not to approach members of the Assembly directly with the view of influencing legislation but to come instead to the office of the High Commissioner. I promised him that if the Consul General desired to place facts or statistics before members of the Assembly I should be very happy to assist him and see that such information was transmitted to the Commonwealth Government authorities.

After a cordial exchange of good wishes and farewells the meeting ended."

GREW

711.94/1502a : Telegram

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

WASHINGTON, May 8, 1940—4 p. m.

144. The Department's telegram 142, May 4, 2 p. m., was sent to you after consultation with and at the desire of the President.

2. We understand that the President approved Mr. Sayre's making a visit to Japan and while there conferring with you and, if he so desired, making courtesy calls on Japanese officials. There was no thought here that Sayre should or would embark upon discussion with Japanese officials of any subject of high policy. We are at a loss to understand why he did so and thus became involved in discussions which are appropriate only to our diplomatic representation. We regard as especially unfortunate the development of approach and necessary rejection which took place in the final conversation.

HULL

711.94/1503 : Telegram

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

TOKYO, May 10, 1940—8 p. m.

Received May 10—9:35 a. m.

325. Reference our 318, May 8, 3 [9?] p. m.³⁹ This afternoon's *Japan Times* carries the following news item:

"The Arita-Sayre conversations held during the American High Commissioner's recent visit were not in such a nature as to be followed

³⁹ Not printed.

up by talks between Foreign Minister Hachiro Arita and Ambassador Joseph C. Grew, spokesman Yakichiro Suma of the Foreign Office stated at his regular press conference with foreign correspondents this morning.

Asked if they discussed any vital issues for adjustment of the strained Japanese-American relations, the spokesman said such matters will only be tackled through proper diplomatic channels."

GREW

740.0011 European War 1939/2922 : Telegram

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

PEIPING, May 14, 1940—4 p. m.

[Received May 14—7:22 a. m.]

161. Local Japanese military officials are displaying keen interest in regard to question of Italian entry into the European war. A Japanese staff officer brought the matter up yesterday afternoon with Colonel Turnage, American and senior guard commander, and expressed concern over the possibility of conflicts between French, British and Italian military units here and in Tientsin if Italy should enter the war. Turnage replied that he anticipated no such trouble, particularly in view of the small forces now maintained in North China by the three powers (see Peiping's 5, January 4, 4 p. m., and Tientsin's 2, January 5, 5 p. m.⁴⁰). This morning Japanese officer mentioned the matter to Major Mayer, Military Attaché.

It seems possible that should Italy enter the war the Japanese would again request or "invite" belligerent powers to withdraw their armed forces from China as in September last.⁴¹ If the powers should accede to the request or if pressure were applied it seems possible that the Japanese would endeavor to take over control of the three foreign concessions at Tientsin. The situation in Peiping would probably be different as the diplomatic quarter is international.

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

SMYTH

893.0146/768 : Telegram

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

WASHINGTON, May 16, 1940—6 p. m.

154. Department's 74, May 14, 5 p. m., to Peiping and Peiping's 164, May 16, 3 p. m., to the Department.⁴² Please make an informal approach to the Japanese Foreign Office along lines as follows:

⁴⁰ Neither printed.

⁴¹ See telegram No. 458, September 5, 1939, 7 p. m., from the Chargé in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 9.

⁴² Neither printed; the telegrams were concerned with the matter presented in telegram No. 161, May 14, 4 p. m., from the Embassy in China at Peiping, *supra*.

The Government of the United States is informed by the Commander in Chief of the United States Asiatic Fleet ⁴³ that an informal oral agreement has been reached by the commanders of all European forces in the vicinity of Shanghai that they would maintain a peaceful continuance of the *status quo* at Shanghai in the unfortunate event of a spread of the war in Europe. It is understood that the Japanese authorities have been informed of that agreement. This Government is further informed by the American Embassy at Peiping that the commanders of the detachments of European forces at Peiping have manifested a completely cooperative attitude in keeping with the agreement reached at Shanghai, and this Government assumes that this includes the European detachments at Tientsin.

As one of the parties to the Boxer Protocol ⁴⁴ and to the various other international agreements by virtue of which the United States and other countries maintain military and naval detachments in China, the Government of the United States expresses its satisfaction at this development which it believes will serve the interests of all countries concerned, both neutrals and belligerents."

Before approaching the Japanese Foreign Office you are authorized in your discretion to inform your British, French and Italian colleagues of the action which you are about to take.⁴⁵

Sent to Tokyo via Peiping. Repeated to Chungking, Shanghai, and Tientsin.

HULL

793.94119/636 : Telegram

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

[Extracts]

TOKYO, May 17, 1940—noon.
[Received May 18—12: 28 a. m.]

349. Our confidential telegrams No. 227, April 2, 9 p. m., and No. 289, April 27, 2 p. m.⁴⁶

1. I have been apprised by the British Ambassador of recent conversations which he has had with important Japanese regarding the prospects of direct negotiations between the Governments at Tokyo and Chungking. The Ambassador informs me that in each case of inquiry as to whether the British Government would be prepared to offer their good offices in that connection he has stated that "any action which my Government might contemplate would only be taken after consultation with the United States Government, whose cooperation

⁴³ Adm. Thomas C. Hart.

⁴⁴ Signed at Peking, September 7, 1901; *Foreign Relations*, 1901, Appendix (Affairs in China), p. 312.

⁴⁵ For Japanese reply, June 11, see telegram No. 438, June 11, 10 p. m., from the Ambassador in Japan, *Foreign Relations*, Japan, 1931-1941, vol. II, p. 78.

⁴⁶ For latter, see p. 514.

would be essential to the success of any peace movement", and that in each case his interlocutor has replied that "such consultation would be regarded in Japan as natural and wise". The Ambassador commented to me further with regard to these conversations that, although this better tendency in Japan may be checked by news of German successes in Belgium and Holland, he felt sure that it would be revived "as soon as the situation is more promising".

2. Yesterday a Japanese, who has repeatedly demonstrated evidence of being well informed of trends of thought within the Cabinet and the Army High Command, told me that there is a movement within the most influential circles for the calling of another conference before the Emperor to modify or withdraw the decision reached by the conference of January 18, 1938, "Japan would no longer deal with" Chiang Kai-shek. He said that those advocating the holding of such conference feel that the 1938 decision could be modified preparatory to negotiate on the basis of "changed conditions rising out of the European war" and would therefore involve no loss of prestige.

He said that the conversations now taking place in Nanking between General Abe and Wang Ching-wei had deteriorated into a hopeless haggling over terms. Although there was an ostensible observance of the Konoye conditions of "no indemnity and no annexation" every effort was being made by the Japanese to circumvent these conditions by demands for transfer to the Japanese of industries and public utilities and for the grant of rights for the stationing of troops. Wang for his part was seeking a settlement which would enable him to plead to the Chinese people that he had secured peace with the minimum of concessions to Japan. Our informant said that the idea of setting up an economic bloc in the Far East is rapidly losing ground in the Army High Command and that within the Cabinet the only person who is still an ardent advocate of the bloc is the Minister for Foreign Affairs. It is our informant's belief that the movement for the holding of another imperial conference is gathering momentum, and that if the conference is held Mr. Arita will be forced out of the Cabinet.

3. The trend reported in our 227 toward (a) negotiating with General Chiang, (b) accepting mediation of third powers and (c) revision of Japanese objectives in China along cooperative lines, in view of the information received by my British colleague and of that being received by me from various quarters appears to be reaching substantial proportions.

GREW

711.94/1669

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

[WASHINGTON,] May 24, 1940.

MR. SECRETARY. I refer to the question which you raised in conversation with Mr. Hamilton and me this morning, namely, that of the possible desirability of taking diplomatic steps toward discouraging Japan from closer association with Germany and encouraging Japan toward a closer association with the United States.

[Here follows survey of factors involved in question under discussion.]

5. The Chinese do not wish today to make peace with Japan on the basis of any compromise which would leave Japanese armed forces in China. The Chinese are war weary, but no more so than are the Japanese. The Chinese are not confronted with any imminent necessity of making an early peace with Japan. Given a free field, the Chinese have at least even chances of outlasting the Japanese in a struggle which is highly burdensome to each of the two countries. It has been demonstrated during the past three years that the Japanese belief and representation that Japan is capable of creating in China conditions of peace, law, order, and stability are not well founded: the Japanese have shown themselves psychologically unqualified for the performance of that task. A "peace" settlement concluded between China and Japan now and under existing circumstances would have no solid foundations or anchorage. It would be inconsistent with American principles & with U. S. objectives in relationships with the Far East, and it would not profit the United States.

6. There is no more reason for assuming today that pledges which might be entered into by Japan's leadership tomorrow would be lived up to by Japan than for making a similar assumption regarding similar pledges which might be made by the present leadership of Nazi Germany. True, the Japanese have some traditions of honor which the Nazis of Germany have not; and the Japanese have an emperor who, if he had his way, might try to keep faith; but, Japan is in the hands of a quasi-fanatical leadership just as Germany is in the hands of an utterly unmoral and ruthless leadership. In both cases, these leaderships would make to any foreign government any pledge which might be asked out of the making of which they might conceive that they would gain some advantage; in neither case would there be any feeling on the part of those who made such pledges that the said pledges should be lived up to beyond the moment and the point at which living up to them would contribute to the attainment of their own national objectives.

[Here follows review of American opposition to Japanese imperialism.]

8. An approach by this Government to the Japanese Government at this time—in the light of the known opposition of this Government and the American people to Japan's policy of expansion by force, and in the light of the situation in Europe, and in the light of the officially proclaimed and widely publicized military unpreparedness of the United States—would be regarded by the Japanese leadership as a clear indication that this Government considers the United States incapable of taking any forceful action in the Far East, regardless of developments there, and that this Government in its own thinking commits the United States definitely to the taking of no such action. This would be taken by the Japanese leadership as a "go" signal as clear as, though dissimilar from, that which was given them by the German Government recently in regard to the Netherlands East Indies. The Japanese leadership would have no hesitation about giving an assurance that they fully intend to respect—in the long run and ultimately—all rights of other countries, including those of sovereignty and of equal opportunity. They would be ready then to "go". They would consider that the western Pacific Ocean and the Indian Ocean were at their disposal. They would be enabled—with this assistance, in effect, by the United States—to force the Chinese to make with them a patchwork and flimsy agreement in the nature of a truce. They would be able to launch new predatory activities into and against other areas—involving Netherlands and French and British possessions and interests, and augmenting the Japanese menace to American interests. They would be enabled to cooperate more effectively, in effect, with Germany and with Italy than they are now able. They would be in better position than now to effectuate a temporary *rapprochement* with the Soviet Union.

Assume that the Japanese leadership, rightly or wrongly interpreting what they would regard as a "go" signal, did then make new moves of conquest. Would the cause of the Allies in Europe be better off or worse off in consequence of those moves? Would the situation of the United States be made more secure or less secure? The answers to these questions are, it seems to me, obvious.

9. The security of the United States in the world of an early tomorrow is going to depend partly on events over which we have no control and partly on what the Government and the people of the United States do immediately in the field of using and fabricating instruments and instrumentalities of force. We will not be made secure by a bringing into existence of agreements with countries whose policies are in direct conflict with our policies, whose courses of action run counter to our general interests and definitely menace

our security, and whose word cannot be relied upon. The resistance which the Allies are making to Nazi Germany stands between us and the Nazi menace on the east. The resistance which the Chinese are making to Japan stands between us and Japan on the west. If the Allies are beaten, the menace to our security on the east will increase. If China is beaten, the menace to our security will increase on the west.

In reference both to the Allies and to China, we could, if we but would, materially influence the situation. Not much, however, by words, whether spoken or written. Considerably, only by positive contribution in the field of sinews of war.

Our security will depend on our armament.

10. The situation in the Far East, as between Japan and China, has for some months past been developing along the lines which we had estimated that it might and have hoped that it would take. Chinese resistance has been maintained; the Japanese have been unable to bring matters to a conclusion at any point; processes of attrition have been affecting the Japanese more adversely than the Chinese; the Japanese people have developed doubts; Japanese resources have become constantly more slender; the possibility of a gradual dissolution of the Japanese effort to conquer China has constantly increased. If we can but permit "Nature" to take its course, with a little help by giving some assistance to China and withholding some assistance from Japan, there is more than an even chance that the problem of the present Japanese-Chinese conflict will solve itself.

11. The situation in Europe being what it is, the situation in the Far East being what it is, and the limitations upon possible courses of action by this country being, within this country [and] at this moment, what they are, the most advisable course for this country to pursue for the present with regard to the Far East and the Pacific is to "sit tight": make no new diplomatic move of major import, make no change in the disposal of the U. S. Battle Fleet, maintain the positions which we have taken, neither suggest nor assent to compromises, keep our hands free and our eyes and ears open.

STANLEY K. HORNBECK

711.94/1517a : Telegram

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

WASHINGTON, May 30, 1940—2 p. m.

172. For the Ambassador and Counselor. 1. In the light of the course of events in Europe, every government not involved in the European conflict is of course giving most serious thought to various questions presented by developments there. Each such government

is naturally giving intensive thought to problems of its national security and to questions, both for short and for long swing, of national welfare, and general national interests. If the present German onrush is checked and the war in Europe becomes prolonged, the peoples of Europe face the prospect of a long period of economic strain with lowered purchasing power, lowered standards of living and continued disruption of normal trade. If the Allies are defeated, there will probably follow an extension of the German system of economic autarchy to most of Europe and an effort to extend that system to colonial possessions in Asia and Africa. This would result in a general lowering of standards of living and a general social deterioration; also, in a flooding of world markets with low-priced goods produced under conditions of virtually forced labor.

2. No part of the world can avoid being adversely affected by a materialization of either of such developments. It has been and is the hope of the Government of the United States that the adverse effects of the war may be kept to a minimum and may be rendered temporary not only as regards North and South America but as regards Asia by increased devotion in those areas to principles and policies which envisage and call for the lowering or removal of excessive and artificial barriers to the flow of trade and through intensive effort by governments and peoples in those areas to safeguard and promote their national interests on peaceful lines and by peaceful methods. Every country is compelled today to strengthen its machinery of national defense. The people of this country perceive that this is essential and are proceeding strenuously with plans and production which will render this country in a comparatively short time far more powerful in the military field than it is at present. This country does not harbor any designs of aggression, but it will be prepared to ward off any aggression which may be undertaken against it. No matter how the war may go in Europe, this country is very strong in resources and probably will be within a comparatively short time more powerful in a military sense and better organized economically than for many years since. The Government and people of this country firmly believe that the deterioration in the general situation brought on by present and spreading armed conflicts can be checked and can be prevented from becoming universal only through enlightened and determined resistance to such deterioration by those nations which desire and intend that principles of national sovereignty, of law, of order, and of justice shall survive and that principles of economic freedom shall prevail.

3. Various countries not yet involved in the European conflict are giving consideration to the question whether they will throw in their lot with countries such as Germany, which are committed to use of

force for purposes of conquest and coercion, or will give adherence and support to principles and policies of a character to which the United States and a considerable number of other countries are committed. Your reports and press despatches indicate that the Japanese Government is giving intensive study to various aspects of that general question. This Government of course wishes to be informed of any significant indications which you may discern regarding the direction in which the Japanese Government's thought is moving in this matter.

4. I have reviewed your accounts of various conversations which you have had during recent weeks with influential Japanese both in official and in non-official life. I believe that it would be helpful were you, as opportune occasion arises, to continue to have such conversations, with a view *inter alia* to obtaining information and to conveying, as of your own thought, such of the ideas and statements of fact as outlined above as you believe would be helpful. It is of course essential that we at all points guard against creating an impression or giving ground for any inference that the United States has modified or will modify its position of opposition to policies and courses, whether of Japan or of any other nation, which involve endeavor to achieve various positive national objectives in international relations by use of force.

HULL

711.94/1518 : Telegram

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

TOKYO, June 3, 1940—noon.

[Received 12:10 p. m.]

400. Your 172, May 30, 2 p. m. 1. I am most grateful for your telegram under reference not only as a directive but as confirmation of my own views with regard to the potential consequences of the tragedy unfolding in Europe. With special reference to the last two paragraphs of your telegram, I have conceived it to be one of my principal duties to assist in the procuring of a reversal of Japanese policies and objectives in China and an adherence by Japan to principles and policies to which the United States and Great Britain are committed. I have never held the opinion that such reversal of Japanese policies could be procured only at the cost of modification of American opposition to the use of force by Japan in achieving her objectives in China. I have reported by several telegrams sent during the last 2 months that there was growing skepticism of the "New Order in East Asia" conceived in terms of exclusive rights and monopolies in China, which tended to confirm my belief that popular disillusionment in the China adventure combined with the additional strength of those elements in

this country who believe in law and order and who realize that Japan's economic well-being is unalterably bound up with economic and therefore political cooperation with the United States and the British Empire would in time make possible the desired reversal of Japanese policies. If conditions in Europe had remained as they were during the first 6 months of the war, there is no substantial reason to doubt that the movement in the direction desired by us would have accelerated. The position today is that the field here has been left to the Germans who are exploiting their military successes with a view to aggravating relations between the United States and Japan. A complacent view of the future would no longer be warranted.

2. I venture respectfully to hope that this telegram may have your special attention because I regard its substance and conclusion as of prime importance. My analysis of the situation is as follows:

3. Japan is at present in a state of political turmoil of unusual intensity. Dominating elements are united in the desire to bring about an early settlement of the hostilities in China but they are radically separated with regard to the nature of the settlement and the means to bring it about. While these various schools of thought cannot be grouped in clear cut categories, each enjoys support from considerable elements in the country including elements in the army and each manifests certain basic trends progressively receiving attention which are roughly characterized in the ensuing paragraphs.

4. One school of thought advocates an understanding with Soviet Russia for the partition of China on Polish lines. It is reported that Russia made some such proposal to Japan last autumn and that Japan turned it down. Informants have told us that Russia has recently renewed the proposal, desiring a free hand to cope with eventualities in Europe, including the Balkans and the possibility of eventually having to fight the Germans for control of the Baku oil fields, and that a Japanese colonel has already arrived in Moscow to negotiate. Informants look for fruition of this scheme by autumn and they maintain that the desire to settle the China conflict is so pressing that even this solution would be welcomed by the Japanese public as a whole. Some supporters of this thesis furthermore advocate seizure of the Netherlands East Indies before a German victory in Europe would give Germany a similar opportunity. They realize that economic reprisals by the United States would have to be faced but they maintain that no country has ever been destroyed by embargoes and that Japan would find a way out. They discount the possibility of war with the United States and believe that in any case the Japanese fleet has nothing to fear from the use of force. This faction, which expects to bring about the overthrow of the present Japanese Cabinet before autumn, is made up largely of members of the reactionary societies

and younger officers in the army and is supported by few if any substantial statesmen. I believe that latterly these proponents of a deal with Soviet Russia have been losing ground, but with events in Europe moving at such a rapid pace, it is possible that Japan may feel that all her calculations are being upset and that she may be tempted to resort to desperate courses.

5. A second school of thought, which is fundamentally pro-German, has been given increased prestige by the recent German successes in Europe. The movement for close relations with Germany is being assiduously furthered by the German citizens in Tokyo whose main efforts are directed at strengthening anti-American sentiment through constant propaganda, especially among the military. The character of such propaganda indicates that the German thesis is that if such relations between the United States and Japan are directed and maintained in increasingly dangerous channels, the United States will be less prone to enter the European war against Germany. They aim to bring about a situation where the entry of the United States into the war against Germany would ensure a similar clash with Japan. The pro-German elements in Japan, especially those who foresee a German victory in Europe, argue that Japan can expect nothing from Great Britain or France and that the policy of the United States towards Japan is of so intransigent and rigid a nature that good relations between those two countries are impossible. This faction is believed to be largely supported by military elements but may well become broadened and strengthened in the event of continued German successes in Europe.

6. Finally there is the school of thought that recognizes the fundamental fact that Japan has more to gain from good relations and cooperation with the democracies than with the totalitarian powers. They clearly perceive the reasoning of those who advocate a self-sufficient economic bloc between China and Manchukuo and they realize that the reconstruction of China cannot succeed without the cooperation of the great commercial powers, particularly the United States and Great Britain. This faction includes most of the business world and influential men both within the Government and out of it, including some of the higher military officers. Many of them realize that the Wang Ching Wei regime cannot succeed and they are quietly working toward a reasonable peace with Chiang Kai Shek in order to provide a bridge for readjustment of relations with the countries with which Japan's economic destiny lies, namely the United States and the British Empire. Representatives of this school of thought have pointed out to us that at present the democracies seem disinclined even to raise a finger to strengthen the hands of the forces in Japan which are striving for a return to moderate courses. They inquire whether, in the

event of the conclusion with Chiang Kai Shek of a peace considered satisfactory by the American and British Government[s], they could be assured thereafter of economic assistance in assuring Japan's normal supplies of raw materials as well as of much needed credits from the United States. What they feel to be necessary for the success of this movement toward the sort of peace that would be satisfactory to the United States and Great Britain is the creation of a feeling of assurance that in such an event Japan could depend on a resumption of the old relations of friendship with the United States and the countries of the British Empire. These exponents state frankly, not as a threat but as an [undoubted?] fact, that unless such a feeling of future assurance can replace the present widespread susceptibility that Japan has nothing to hope from the United States and Great Britain in the way of economic and financial cooperative assistance, the present Cabinet will fall during the next few months and may be replaced with a Cabinet of strong military and pro-German tendencies with disastrous results for Japan. Speculative reports of the impending fall of the Cabinet are being heard more frequently and from increasingly credible sources.

7. It has recently come to my attention that the Foreign Minister in conversation with an informant said to him that the American Ambassador had told the Minister that there could be no possibility of an improvement in the relations between the United States and Japan as long as the conflict in China continued. I have never presented the situation to the Minister in those words or in that form and it is obvious that he has drawn the logical implications from the observations which I have from time to time made to Mr. Arita and to his predecessors as duly reported to the Department. But the Minister's remark to my informant, who authorizes me to quote him to Mr. Arita, seems logically to open the way to a further approach to the Minister with a view to clarifying the attitude of the United States, either under instructions or as conveying my own thoughts. If you approve of my seeking such an interview, I should like to present our attitude orally along the lines of your 172, May 30, 2 p. m., with special regard to paragraph 4 thereof, and then to endeavor to sum up the situation as follows:

8. My thought would be to say official was correct in attributing to me the view that the relations between our two countries cannot be expected to improve so long as there is a continuance of the multifarious interferences with American rights and interests in China, including *inter alia* the bombings of American property, the indignities to which American citizens are repeatedly subjected, and the penalizing of American commercial and financial rights and interests through monopolistic and other measures at the hands of Japanese authorities in China and also so long as the Japanese in China

continue to endeavor to achieve various positive underlying national objectives by the use of force. On the other hand the United States desires and would welcome an early return to mutually good and helpful relations with Japan; that now more than ever the present state of world affairs dictates the mutual importance of the building up of such relations; that as soon as concrete evidence emerges that Japan genuinely desires and genuinely intends to relinquish force as an instrument of national policy and to direct its policy and efforts toward achieving its objectives by peaceful and legal methods and means, involving a discontinuance of past and current interferences with American rights and interests in China, the United States for its part will be disposed to view such a re-orientation of policy and efforts with sympathy and with the hope that the effectiveness of such a movement will in due course open the way to a new era in American-Japanese relations in which the future will hold out possibilities of helpful economic and financial cooperation. What I have chiefly in mind is to convey to the Minister and to others with whom I may have occasion to talk, without any commitments whatsoever, the thought that a new and mutually helpful era in American-Japanese relations is by no means impossible and that in my own belief the time is ripe for a positive move by Japan in that direction. I am not without hope that the striking of such a note in the midst of current Japanese perplexity might conceivably create an important influence on Government thought at this crucial moment.

9. Please instruct, and provided that the foregoing thoughts are approved, advise me of any further comment which you feel could properly and helpfully be made in such a suggested interview, apart from your previous instructions which I constantly retain in mind for use when occasion offers.

GREW

711.94/1514: Telegram

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

TOKYO, June 4, 1940—7 p. m.

[Received June 4—11:12 a. m.]

412. My 400, June 3, noon.

1. Subsequent to the despatch of my telegram under reference, a prominent Japanese who is in the closest touch with the Prime Minister and other members of the Cabinet, and who has been openly and therefore courageously attacking the plans for the setting up of Japanese controlled economy in China, called on me yesterday afternoon. He spoke in the strictest confidence substantially as follows:

(a) On May 24 and 25 my informant called on the Minister for Foreign Affairs, [on] Marquis Kido, who has just been appointed

Lord Privy Seal, [on] the Minister of War and finally on the Prime Minister. With the exception of Mr. Arita, these important personages concurred in the view that efforts should be made by Japan to break the existing dead [lock] with the United States and with Great Britain and that this could be done without modification of the principles for which the United States and Great Britain stand. A few days later my informant called on the Chief Secretary of the Cabinet who stated that Mr. Arita had recently modified his views radically, and that the four—Cabinet officers who are now meeting regularly to consider foreign policy (see our 386, May 28, 7 p. m.⁴⁷) had agreed at their first meeting to explore ways and means for improving relations with the United States and Great Britain.

(b) Although this decision on the part of the Cabinet was gratifying, the difficulties in the way of proceeding toward an adjustment of relations with the United States and Great Britain had been greatly increased by the impact on Japan of the recent German military successes. The Japanese people are becoming increasingly impatient over the failure of the present Government to achieve anything tangible and no progress is being made toward the settlement of the China conflict, Japan's foreign relations have not improved, and no preparations are being made to take advantage of the situation which would be presented if a complete victory were won by Germany. The Government could not continue to wait and see but it had to produce results without delay. My informant did not pretend to know of the specific article the conference of the four ministers is studying but he could tell me of the plan which he presented to the Prime Minister and with regard to which the Prime Minister expressed approval.

(c) The first point would obviously be the speedy settlement of the China conflict. My informant was impressed with the possibility that the longer the China conflict is allowed to continue the greater are the chances of there developing under the stress of German pressure violent and extremist trends of thought in this country. He expressed the opinion that the United States in its own interests should be prepared to assist in that settlement. He recalled that the foreign powers were complacent over the hostilities in China, apparently counting on the eventual exhaustion of Japan, but several of these powers are now involved in war themselves. He attributed their encroachment in large part to the indifference which they had built up to the need for the maintenance of peace in any part of the world.

(d) The second point was the question of the Netherlands East Indies. He had no doubt that the Japanese Government's statement of April 15⁴⁸ reflected the sincere desire of the Japanese Government that the *status quo* of the Indies be maintained. There are nevertheless many Japanese who are concerned lest Japan eventually be made the catspaw of Great Britain or of the United States or of Germany and over Japan's being left out in the event of some future disposition of the Indies. My informant admitted that so long as such apprehension is being shown by the Japanese people, suspicion abroad

⁴⁷ Not printed. The Cabinet officers mentioned were the Prime Minister and the Ministers for Foreign Affairs, War, and Navy.

⁴⁸ See press release issued by the Japanese Embassy April 15, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 281.

of Japanese motives is inevitable. In his opinion mutual distrust and suspicion would be overcome if the Netherlands Indies could assure to Japan normal and reasonable supplies of raw materials.

(e) Cooperation by the United States is needed for the improvement of relations between the United States and Japan. A vicious circle of things set in—upon the conflict with China breaking out: Japan set about to create a closed economy in China for the benefit of Japan; the United States then countered with the abrogation of the Treaty of Commerce;⁴⁹ and many Japanese feel that if there is to be no restoration of friendly relations with the United States Japan's only means of salvation lies in proceeding with the plans for an economic bloc in the Far East.

Naturally the United States could not be expected to make any friendly gesture so long as Japanese assurances are not forthcoming that the plans for the elimination from China of American interests are to be abandoned and that Japan will cooperate with the United States on the basis of principles to which the United States is [devoted?]. But if such assurances were forthcoming and if the United States could make known its willingness to discuss the conclusion of a new commercial treaty, and possibly express willingness to extend credits covering shipments of raw cotton and other non military supplies to Japan, the political atmosphere could be immediately cleared.

2. My informant has given me on several occasions conclusive evidence of his familiarity with official matters the secrecy of which is closely guarded and therefore I have reason to believe his accounts of conversations with members of the Cabinet. Yesterday he showed extraordinary familiarity with all the details of certain matters known to us which are not known even to the principal subordinate officers in the Foreign Office. His statements to me as above reported can, I believe, be accepted as confirmation from a most reliable source of the substantial accuracy of the analysis of the present situation as presented to the Department in my telegram under reference.

GREW

711.94/1517: Telegram

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

TOKYO, June 4, 1940—9 p. m.

[Received June 5—10:48 a. m.]

414. 1. Premier Yonai issued a lengthy statement to the press yesterday by replying to questions which had probably been submitted in advance on the international and domestic problems. The following is a summary of the main points of the statement as reported in the vernacular press:

(a) American-Japanese relations. Consideration is being given measures designed remedy present undesirable status relations with

⁴⁹ See note of July 26, 1939, to the Japanese Ambassador, *Foreign Relations*, 1939, vol. III, p. 558; for text of treaty, see *ibid.*, 1911, p. 315.

United States. Nature of measures under consideration cannot be revealed now. Presence American fleet Hawaii may be designed bring pressure Japan, but Japan not impressed and has full confidence in own naval strength. United States seems eager enter hostilities Europe and may therefore become involved in those hostilities without giving consideration position of Japan.

(b) Negotiations for settlement of China incident. Measures for disposing of China incident proceeding as previously planned. Instructions decided China Affairs Board meeting May 31 will go forward to General Abe, Nanking. These instructions secret and may not be revealed at present time but successful results anticipated. No negotiations whatsoever with Government [at] Chungking are under consideration. Government has no knowledge activities by third powers looking toward a settlement China incident. Yangtze River will be reopened general shipping, but no commitment may be made now regarding exact date. Government's policy is to recognize Wang regime at earliest possible date, probably following signing of basic Sino-Japanese agreement.

(c) Policy of non-involvement in European conflict. Government is prepared cope with any conceivable contingency but has not yet considered abandoning non-involvement policy which believed most suitable to Japan's aims for present. Japan's policy toward Netherlands East Indies as stated by Foreign Minister has undergone no change. (*Miyako* reports Premier stated improvement trade relations with Netherlands Indies would be one step toward closer cooperation between two countries.)

(d) Russo-Japanese relations. In addition to diplomatic efforts for settlement individual questions pending, maybe worthwhile undertake some political move for better relations with Russia. Russia now more concerned with West than East.

(e) Domestic Problems. Four-Minister Council more properly be called roundtable conference for exchange information military and diplomatic questions rather than policy deliberating body. Necessary reassure public concerning supply rice and full faith placed in abilities of Ministers concerned.

2. Premier's interview is prominently featured in all this morning's papers. Emphasis is placed upon the immutable policy for the settlement of the China incident and the fact that Japan's non-involvement policy is elastic. Premier Yonai's statement concerning consideration of watching to improve relations with the United States may be of some significance.

Shanghai please repeat by naval radio to Peiping, Chungking.

GREW

711.94/1518: Telegram

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

WASHINGTON, June 4, 1940—11 p. m.

180. For the Ambassador and Counselor. Your 400, June 3, noon, paragraphs 7, 8 and 9. You are authorized to make an oral approach

such as you suggest. We think it would be helpful for you to stress the point that there can be no fundamentally friendly relations between our two countries so long as the Japanese continue to endeavor to achieve various positive national objectives by use of force. This should not be qualified by saying "in China". We think it desirable that you omit specific mention of "involving a discontinuance of past and present interferences with American rights and interests in China" and specific mention of "possibilities of helpful economic and financial cooperation". As we see it, the first of these is inherent in the broad concept of relinquishing force as an instrument of national policy, the second is implied in the concept of opening a new chapter in relationships; and, toward avoiding misunderstandings or possible publicity stressing chosen points out of context, we believe that the whole approach should be in broad, not in specific, terms.

To safeguard against any possible inference that this Government or its Ambassador is leaning toward a procedure of compromise or abandonment, it might be well for you incidentally to point out that, after a long period of hopeful thinking and diplomatic effort toward peace by processes of disarmament, the people of this country are now convinced that certain European governments have made their countries a menace to civilization and to this country's security, and this country is engaged in a program of armament for defense and security on a huge scale.

We would prefer that your approach be as on your own initiative and as expressive of your own thought.

In your preparing, you might review, for background, my reply of March 3, 1934⁵⁰ to Mr. Hirota's communication of February 21, 1934 to me.⁵¹

HULL

711.94/1516: Telegram

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

TOKYO, June 5, 1940—11 a. m.
[Received June 5—7:30 a. m.]

417. My 412, June 4, 7 p. m.

1. I respectfully invite the Department's attention to the emphasis placed by the Minister for Foreign Affairs in his address before the Pacific Society (my 413, June 4, 8 p. m.⁵²) on the need for removing barriers to trade in connection with the "construction of a new world

⁵⁰ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 128

⁵¹ *Ibid.*, p. 127.

⁵² *Ibid.*, vol. II, p. 66.

order to come after the European war". This is in striking contrast with the position which he took in his informal conversation with Dooman on April 26 when he vigorously defended Japan's plan for a closed economy and displayed a cynical and pessimistic attitude with regard to the possibility some months ago of creating a "more pro-American world economy upon the conclusion of the European war" (my 282 [289], April 27, 4 [2] p. m.⁵³).

2. In view of the statements of informant reported in my 400⁵⁴ that Mr. Arita had recently modified his views radically and that the four-Minister group are considering ways and means for improving relations with the United States and Great Britain, this most recent statement by Mr. Arita and the reference by the Prime Minister to diplomatic plans which cannot now be revealed for improving relations with the United States and Great Britain (my 414, June 4, 9 p. m.) would appear to afford further evidence of the credibility of informant.

GREW

893.0146/846

*The Director of Naval Intelligence (Anderson) to the Chief of Naval Operations (Stark)*⁵⁵

Op-16-F-2

WASHINGTON, 8 June, 1940.

MEMORANDUM FOR THE CHIEF OF NAVAL OPERATIONS

1. Thoroughly reliable information is at hand that the Japanese Government has determined on the following courses of action in China in the event Italy enters the war:

(a) Use force to remove or disarm the European belligerents' forces in China if any fighting occurs between them.

(b) Reissue the warning of 5 September 1940 to France and Britain regarding maintenance of peace and withdrawal of armed forces.⁵⁶

(c) Issue the same warning to Italy, after first confidentially informing her and negotiating and arranging for withdrawal of Italian troops on condition that France and Britain evacuate.

2. Japan is planning the above steps in secret with a view to anticipating untoward incidents and the spread of the war to the Far East.

W. S. ANDERSON

⁵³ *Post*, p. 514.

⁵⁴ June 3, noon, p. 338.

⁵⁵ Copy transmitted to the Department by the Navy Department.

⁵⁶ See telegram No. 458, September 5, 1939, 7 p. m., from the Chargé in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 9.

893.0146/788: Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, June 11, 1940—noon.

[Received 1:22 p. m.]

91. Reference my 78, May 17, 4 p. m.⁵⁸ British, French, and Italian commanding officers of forces in Tientsin have this morning orally reiterated their statements of May 17 that they would exert every effort to avoid friction and maintain *status quo* at Tientsin.

The Italian Concession has been declared "out of bounds" for British and French liberty parties and likewise the British and French Concessions are "out of bounds" for Italian liberty parties.

The Concessions remain free of access to all nationals but Italian forces entering the British and French Concessions are to be in civilian clothes and military trucks are to fly no flags. Similarly British and French forces entering into the Italian Concession are to be in mufti and without insignia. If, in spite of these precautionary measures, an incident should arise involving the French with Italian nationals, an approach will be made to the commanding officer of the United States Marine Corps to use his good offices in endeavoring to effect an amicable settlement.

Repeated to Chungking, Peiping, Shanghai. Code text by air mail to Tokyo.

FLETCHER

893.00/14554: Telegram

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

PEIPING, June 11, 1940—4 p. m.

[Received June 11—2:50 p. m.]

192. Peiping's 187, June 7, 4 p. m.⁵⁸ A prominent American educator who is on close terms with Wang Keh-min⁵⁹ has expressed the following views in regard to Wang's resignation: Wang Keh-min, acting as intermediary between the Japanese and General Chiang Kai Shek, has been endeavoring for a long time to arrange a settlement of the hostilities but finally became convinced this would be impossible due to failure of the two parties to agree on terms and thereupon decided to resign. The Japanese exerted strong pressure on him to remain in office and continue his mediation efforts but to no avail. The informant expressed the opinion, perhaps based on information

⁵⁸ Not printed.⁵⁹ Chairman of North China Political Affairs Commission until June 6.

from Wang Keh-min, that the Japanese were reaching the point where they were anxious for and would welcome a conclusion of the hostilities and would be willing to withdraw all Japanese troops from Central and South China and even most of those in North China if they could obtain some sort of guarantee of their "economic" rights in North China. The informant added that he believed that General Chiang Kai Shek insisted upon the withdrawal of all Japanese troops as a prerequisite to any peace settlement.

The informant also stated that the Japanese are rapidly losing confidence in Wang Ching Wei and have about [abandoned?] hope that he will be able to accomplish anything either [toward?] the conclusion of peace with Chungking or the "pacification" of the occupied areas. American newspaper correspondents here express similar views in regard to Japanese loss of confidence in Wang Ching Wei and the present Japanese desire for a settlement of hostilities.

Repeated to Chungking, Nanking, Shanghai. By air mail to Tokyo.

SMYTH

893.102/901

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

[WASHINGTON,] June 11, 1940.

The Chinese Embassy here has, under instruction from the Chinese Government, approached us⁶⁰ with the suggestion that this Government (1) make a declaration of its attitude toward maintenance of the *status quo* of foreign-controlled areas in China; (2) impress the British and French with our deep interest in the maintenance of free transit of goods to China through Burma and French Indochina; and (3) inquire of the British and French Governments as to their attitude toward the Chinese plan of military and economic cooperation.

With regard to the first two points, the Department has given and is continuing to give careful attention to developments. With regard to the third point, we obviously could take no action.

It seems to me that no useful purpose would be served by our attempting to make reply to the Chinese Government.

M[AXWELL] M. H[AMILTON]

⁶⁰ Memorandum by Mr. Hamilton of a conversation with Tswen-ling Tsui of the Chinese Embassy on June 10, not printed.

740.0011 European War 1939/3784a : Telegram

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

WASHINGTON, June 11, 1940.

193. At a press conference on June 11, in response to request for comment on report from Tokyo that Japanese Vice Minister for Foreign Affairs has informed diplomatic representatives of Italy, Germany, France, England, and the United States that Japan is desirous of eliminating any incident among belligerent powers which would extend hostilities to the Far East, the Secretary remarked that it was necessary for him only to reiterate what had been our policy from the beginning, namely, that we have discouraged strenuously the outbreak of war anywhere and discouraged it by every means which public opinion would support. The Secretary said further that we have tried by all practical means to limit the spread of war if and when war once broke out. The Secretary added that this is our policy toward all parts of the world and toward all nations and has been our policy whenever war has broken out or has threatened to break out.

HULL

893.0146/790 : Telegram

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

TOKYO, June 12, 1940—3 p. m.
[Received June 12—9:37 a. m.]

440. Our 437, June 11, 6 p. m.⁶¹

1. My British colleague told me last night that whereas in its *démarche* of September 5, 1939, offering "friendly advice" concerning the withdrawal from China of the troops and warships of belligerent powers, the Japanese Government had not asked for replies, the Vice Minister for Foreign Affairs in his *démarche* of yesterday requested replies at the earliest moment from the British, French and Italian Governments. Sir Robert Craigie received the impression that Mr. Tani himself neither expects nor wants such replies but that the Japanese Army and Navy are pressing the Foreign Office for such replies.

2. The British and French Ambassadors are uncertain whether their respective Governments will submit replies. The former alludes to the fact that during the last European war the German guard remained in Peiping until China entered the war and he believes that no trouble resulted from their remaining. The Japanese are therefore trying to set a new precedent.

GREW

⁶¹ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 77.

893.102/904

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] June 12, 1940.

I share Mr. Hamilton's view ⁶² that no useful purpose would be served by our attempting to make reply to the Chinese Government. I feel, however, that we should give serious consideration to points (1) and (2), and that we should not entirely rule out point (3).

In my opinion, the United States must, no matter what we may do or not do in the field of material pressures, continue to maintain a diplomatic front on the Pacific and in the Far East. I feel that, no matter what we may wish that we might do, it is impossible for us to "abandon" our principles and to scrap our objectives in relation to China, to Japan, to China and Japan, and in relations with other countries in the Far East. The fact that there have been and are hostilities in the Far East has not dissolved-out our interests and concern in and with regard to that region. The fact that there is a war in Europe and that we are menaced by trans-Atlantic developments does not dissolve-out our interests and concern in and with regard to the Far East and the fact that we are menaced by trans-Pacific developments. In the case of the Japanese-Chinese conflict, we have one theater of operations in which broadly speaking the armed conflict has been running in a manner unfavorable to the aggressor side. That China continue to resist Japan will be to the advantage of the United States and Great Britain and France. The United States and Great Britain and France should, therefore, encourage and as far as possible support China's resistance. These three powers should cling to those of their "special" rights in China the existence of which is now helpful both as regards their own nationals and as regards China while resisting Japan. Also, they should as far as possible keep open channels of communication with China. The Chinese suggestion in those connections is a common-sense suggestion. True, we should at this time speak gently to Japan and we should not give Japanese chauvinists new grounds for argumentation that the Japanese Navy should move toward new conquests, but we need not stand in our tracks as regards diplomatic pursuit of our objectives in China or fear even to discuss with the British and the French, with whom we now are associated in a world conflict, measures of common interest and concern in the Far East as well as elsewhere.

I recommend that we seriously consider making a declaration such as the Chinese suggest and that we remind the British and the French

⁶² See memorandum by the Chief of the Division of Far Eastern Affairs, June 11, p. 349.

Governments that we regard it important that channels of communication be not closed.

S[TANLEY] K. H[ORNBECK]

893.102/903

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

[WASHINGTON,] June 12, 1940.

It was not intended to convey in my memorandum of June 11 any implication that we should "stand in our tracks as regards diplomatic pursuit of our objectives in China or fear even to discuss with the British and the French" etc.

With regard to points 1 and 2 raised by the Chinese Government, the Department has given and is continuing to give careful attention to developments; the American Government has, as need therefor has arisen, made declarations and has approached the British and the French Governments. I would assume that we would still be prepared to follow those courses if occasion should arise. FE⁶³ perceives no development at this moment which would make useful a declaration such as the Chinese suggest or an approach to the British and the French Governments.

M[AXWELL] M. H[AMILTON]

893.0146/791 : Telegram

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

PEIPING, June 12, 1940—4 p. m.

[Received June 13—12:20 a. m.]

194. Peiping's 168, May 17, 2 p. m., and 169, May 17, 3 p. m.,⁶⁴ *status quo* in diplomatic quarter. With the entry of Italy into the European war, the commandants of Embassy guards of belligerent nations signed today an agreement for the maintenance of the *status quo* in the diplomatic quarter and to avoid friction among their respective guards which is as follows:

(1) To conform to a liberty schedule prepared by Colonel Turnage, the American Commandant, who is also Senior Commandant, which provides that Italian and Anglo-French enlisted men will have liberty on different days.

(2) Each general will provide a patrol on its liberty night.

⁶³ Division of Far Eastern Affairs.

⁶⁴ Neither printed.

(3) Members of the French and British guards will not visit certain places of amusement of Italo-German ownership.

(4) Uniforms will be worn on liberty unless otherwise ordered by higher authority and the men will be warned to preserve the peace and to stay away from enemy embassies and glacis.

(5) Disputes or incidents will be referred to the Senior Commandant.

This agreement was prepared and witnessed by Colonel Turnage. The sincerity of the several commandants cannot be doubted and no serious incidents are anticipated. Colonel Turnage sent a copy of the agreement to Japanese Commandant.

Repeated to Chungking, Tientsin, Shanghai. By airmail to Tokyo.
SMYTH

711.94/1530 : Telegram

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

TOKYO, June 12, 1940—10 p. m.
[Received June 12—10:18 a. m.]

447. My 429, June 10, 6 p. m.⁶⁵ The Minister for Foreign Affairs has sent me as an "informal, oral and unofficial statement" a document marked strictly confidential, the text of which in translation is contained in our immediately following telegram 4[48], June 12, 11 p. m.⁶⁶ He wishes me to understand that it does not commit his Government in any way but that it will serve to indicate certain thoughts which have occurred to him following our conversation.

GREW

711.94/1532 : Telegram

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

WASHINGTON, June 15, 1940—2 p. m.

203. Your 431, June 10, 8 p. m.,⁶⁷ and 448, June 12, 11 p. m.⁶⁸

1. It is suggested that as soon as convenient you inform the Minister for Foreign Affairs orally that you have forwarded to your Government an account of your conversation with him and that you are authorized to say that your Government is giving attentive study thereto and is impressed by the earnest interest which Mr. Arita has manifested in the general subject under discussion; and that you have also forwarded the text of Mr. Arita's strictly confidential oral state-

⁶⁵ Not printed, but see memoranda from the Ambassador in Japan, June 10, *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 67, 71, 73, and 75.

⁶⁶ *Ibid.*, p. 79.

⁶⁷ Not printed, but see memorandum by the Ambassador in Japan, June 10, *ibid.*, p. 67.

⁶⁸ *Ibid.*, p. 79.

ment which is likewise being given study. It is suggested also that, subject to any comments you may wish to offer, you might make to the Minister for Foreign Affairs additional statements as follows.

We believe that, before concrete details of any practical program can be profitably discussed, foundations therefor should be laid by giving due consideration to the fundamental principles and policies inherent in the standpoint of each government and to the aims and aspirations of each government. It might appear superficially that by stressing abstract principles we are losing sight of the practical aspects. We feel, however, that, if general principles and objectives can first be defined and taken into account, this will tend to facilitate subsequent progress toward consideration of specific measures. It is therefore believed that specific comment upon the contents of Mr. Arita's statement might best be deferred for the time being and that it would be useful for the Government of the United States to restate at this juncture in broad outline its general position.

As has been said before, it has been and is the hope of the Government of the United States that the adverse effects of the war in Europe may be kept to a minimum, not only as regards the American continent but also as regards Asia, through intensive effort by governments and peoples in those areas to safeguard and promote their national interests on peaceful lines and by peaceful methods, and by increased devotion to principles and policies which envisage and call for the lowering or removal of excessive and artificial barriers to the flow of trade. In shaping a future course it is believed important to look beyond considerations of minor and transient benefit and to focus attention upon far-sighted and broad-gauged policies based on the common interest of all forward-looking peoples. From such an approach there would in our opinion inevitably emerge certain fundamentals, some of which are as follows:

(a) There is paramount need for order, peace and stability. It is our firm conviction that the deterioration in the general situation brought on by present and spreading armed conflicts can be checked only through enlightened and determined resistance to such deterioration by those nations which desire and intend that principles of national sovereignty, of law, of order, and of justice shall survive and that principles of economic freedom shall prevail. If governments and peoples see that these principles are essential and if governments and peoples are willing and determined to implement them, then specific situations in various localities which are inconsistent with those principles ought of course to be duly corrected and adjusted.

(b) Also important is the question of what economic principles and procedures may be expected best to keep alive and to perpetuate conditions of general security and order. The Government of the United States is committed to a commercial policy based upon the fundamental principle of non-discriminatory treatment, and we believe in

removal or lowering of restrictions upon exchange of goods in international trade. There might be adopted by forward-looking countries a program in which each country would refrain from seeking for itself or its nationals exclusive or preferential rights of trade, commerce, or economic exploitation in any third countries and from using any influence which it might possess with any third country to bring about the adoption by that country of measures which might deprive other countries of equality of commercial opportunity or which might block the satisfying of legitimate economic needs.

To make progress, each country concerned must of course be imbued with the proper spirit, including a willingness to make sacrifices in the interest of realizing broad and lasting objectives, and there must be on the part of each country sufficient disposition and determination to make possible a realization of fundamental principles.

Each and every nation in the world is of course fully entitled to take all legitimate and reasonable precautions to promote and preserve its own safety and security. The taking of such measures cannot, however, warrantably be made a ground for interfering in other countries and for setting up there economic preferences and systems of special privilege. The United States is interested in the trade and the economic development of countries of the Far East, just as is Japan. The United States would therefore not, just as Japan would not, view with favor the infiltration into or development in such countries of subversive influences. General adoption of the line of thought and attitude which are outlined above would, in our opinion, render unnecessary interference by any nation in the internal affairs of other nations and action by any nation in the territory of another nation toward establishing therein monopolies and other forms of special privilege. With development along the lines of the principles indicated, we could look forward to multiplying methods of cooperation in many fields toward broad lines of economic development of countries needing and calling for such development.

The attitude and policies of the Government of the United States are so well known and are so well established in the traditional thoughts and beliefs of the American people that it is not difficult to appraise accurately the aims and intentions of this country and the courses of action which the Government of the United States is likely to follow in any given set of circumstances. That attitude and those policies are based on fundamental principles, and we believe that general adherence to those principles, which are universal in their applicability, would be to the best interests of the United States and of Japan and of other countries.

2. We feel it essential that it be understood by all who are associated in discussion of these questions that the objection of the Government and people of the United States to courses which Japan is following arises from and relates to not only Japanese activities in China repeat in China but to indications and manifestations of a desire on the part of Japan's effective leaders to extend and expand Japan's political authority at the expense of other nations, in disregard of law and of agreements, and by force. We feel that you

should carefully avoid laying such emphasis upon American rights and interests in China repeat in China as may tend to give the impression that those are the matters regarding which we are outstandingly if not exclusively concerned. In that connection you might find it helpful to review for background the Secretary's letter to the Vice President of January 8, 1938,⁶⁹ especially the paragraph which begins with the words "The interest and concern of the United States in the Far Eastern situation, in the European situation, and in situations on this continent are et cetera."

3. As you may discern from the foregoing, the Department desires that the door be kept open for exploration of constructive possibilities. At the same time the Department desires that you put forth special effort to keep the conversations on broad and general terms until there shall emerge reasonably clear indications that Japan's aims and intentions are of a character consistent with the fundamental principles and policies in which the United States believes and which we hope will be the fundamental principles and policies to which Japan will choose to adhere. If and when there appear such indications, it is believed that there will open many practical avenues which can be profitably explored to common advantage. In continuing to use every appropriate means to convince the Japanese Government that Japan's best interests lie in following a course based on progressive, peaceful principles, you will of course continue to bear constantly in mind the last sentence of the Department's telegram no. 172, May 30, 2 p. m.

4. I desire that, before you proceed along the lines indicated in this telegram, you study carefully the contents of this telegram in the light of the Department's telegrams no. 172, May 30, 2 p. m., and no. 180, June 4, 11 p. m., and of your conversation of June 10 with the Minister for Foreign Affairs.⁷⁰ If after such study and review there occur to you comments and suggestions which you believe would be helpful, I of course desire to receive them.⁷¹

HULL

793.94/16073

The Consul at Nanking (Stanton) to the Secretary of State

No. 94

NANKING, June 17, 1940.

[Received July 23.]

SIR: I have the honor to refer to this office's telegram No. 58 of June 14th⁷² concerning the joint proclamation issued by the Japanese

⁶⁹ *Foreign Relations, Japan, 1931-1941, vol. I, p. 429.*

⁷⁰ See memorandum by the Ambassador in Japan, June 10, *ibid.*, vol. II, p. 67.

⁷¹ For memorandum by the Ambassador in Japan, June 19, in regard to Department's instructions, see *ibid.*, p. 81; for two accompanying documents, see *ibid.*, pp. 83 and 85.

⁷² Not printed.

military and naval headquarters in China on June 11, 1940. There are now enclosed for the information of the Department, copies of the Japanese and Chinese texts (as given in the local press) of the proclamation and the prefatory and explanatory statements appended thereto together with this office's translation of the proclamation and the statements mentioned.⁷³

As the Department is aware somewhat similar proclamations have been issued by the Japanese military and naval authorities during the course of the present hostilities but it is not believed that it has heretofore been specifically stated in such proclamations that Japanese military regulations were applicable to third party nationals although it is recalled that Japanese military spokesmen at Shanghai have implied that such was the case. However, as regards the present regulations it is declared specifically in the statement prefacing the proclamation that they are applicable to "Chinese, Japanese or nationals of third powers" and that those who violate the regulations shall be punished by "imprisonment, fines or confiscation of property."

The proclamation lists eight categories of activities which are punishable including: criticism of Japanese policies; the giving of lectures, holding of meetings, publication of books and periodicals and the showing of motion pictures calculated to disturb the thoughts of soldiers and civilians; interference with the work of pacification and propaganda; disregard of orders or arrangements of the authorities in connection with the enforcement of emergency precautions; slanderous attacks on Japanese troops; the receiving, demanding or taking over control of properties or other interests or the agreeing to illegal requests by those working in Chinese government offices or other organizations and by those who are employees or advisors of the Japanese army or the China Affairs Board; and finally the instigation of the people, disturbing order, monopolizing finances and carrying on activities which may lead to the commission of the above mentioned "misconduct."

It will be noted that a very wide range of activities is covered by the proclamation which is further amplified and extended by the explanatory statement. Of particular interest are the explanatory statements appearing under section II which not only proscribe subversive activities against Japanese troops, military establishments and Japanese military plans and interests but also make punishable "disrupting finance and economy" (1); causing "unfavorable effects on the economic and financial policies" (4); violating orders restricting the "importation of gold, silver or Japanese bank notes from Japan or Man-

⁷³ None printed.

chukuo" (6); engaging in speculation and exchange transactions and obtaining illegal profits (8); and violating the "orders that have been or will be issued in the future by the Japanese troops restricting the transportation of bank notes and commodities and any restrictions placed on economy and finance" (9). Also of interest are the explanatory statements appearing under Section III which, although declaring that Japanese military regulations do not conflict with the orders normally issued by Japanese consulates in China, appear none the less to imply that these military regulations largely supersede Japanese consular jurisdiction inasmuch as violators of consular orders are to be tried by military law. The Department's attention is also called to the fact that the explanatory statement makes punishable any criticism of the national policies of Japan or the purposes and the program of the Japanese army (II-2), or any speech or activity harmful to the reputation or integrity of the Japanese troops (II-5). The particular regulations referred to would appear to be aimed at those third power nationals who have in the past or who may in future in any way criticise the Japanese policies or the Japanese military.

There may be several explanations for the issuance of this proclamation at the present time. It is not improbable that it was designed to emphasize the determination of the Japanese military and naval authorities to complete the "holy task" of bringing the present hostilities to a speedy and successful conclusion and to stress the fact that those authorities intend to brook no interference by others, not excluding third power nationals. On the other hand so sweeping are the powers, including administrative and judicial powers, which the Japanese military and naval authorities have assumed by the terms of the proclamation and the explanation appended thereto that it is difficult to dismiss the supposition that the proclamation was issued to make clear to occidentals, Chinese puppet regimes, Japanese politicians and perhaps even to the Japanese Government itself exactly where the real authority in occupied China lies. In brief the proclamation appears to indicate a resumption by the Japanese fighting forces of the complete and extensive control exercised by those forces during the earlier stages of the hostilities, but gradually diminished by the creation of such bodies as the China Affairs Board, over all economic and financial policies as well as the thoughts, acts, persons and properties of those residing in the occupied areas. One is led to speculate whether the task of General Abe in the negotiation of a treaty with the Wang regime will not be rendered more difficult by this pointed declaration concerning the real source of authority in occupied China.

Respectfully yours,

For the Consul in Charge at Shanghai:

E. F. STANTON

793.94/16011

*Memorandum by the Adviser on Political Relations (Hornbeck)
of a Conversation With the Counselor of the British Embassy
(Butler)*

[WASHINGTON,] June 19, 1940.

Mr. Butler called on me this noon at his request and handed me the paper here attached⁽⁷⁴⁾ (which contains a text identical with all but the first three lines of a telegram, no. 470, June 19, 5 p. m., which the Department received from Tokyo this morning⁽⁷⁵⁾). Mr. Butler said that the British Embassy had just received this and that immediately before receiving it they had received a long telegram from the Foreign Office giving a résumé and estimate of the situation and expressing apprehension regarding developments in the Far East. He said that Lord Lothian would doubtless be wanting to talk with the Secretary, but that in the interval and in Lord Lothian's absence (Lothian being today at New Haven where he is receiving a degree), he, Butler, had wished to bring this matter immediately to our attention.

Upon reading what Mr. Butler gave me, I stated that we had received similar information and that I had been turning the matter over in my mind.

Mr. Butler said that in the light of what the Foreign Office had said, the Embassy wondered whether it might not be possible and whether it would not be helpful for the American Government to take and to make known a position that "any attempt to change the *status quo* in the Far East or Pacific will not be tolerated".

There followed some discussion in connection with which I stated that such comments as I was offering were purely personal, unofficial, and in the nature of "thinking out loud". I said that what the Japanese Military Intelligence officer had said to the British Military Attaché in Tokyo was in the nature of a threat and a demand not accompanied by an assurance or a promise. I asked what, if any, advantage one might expect to accrue to Great Britain or to other interested parties were the British Government to take the steps which this officer affirmed might avert trouble (a declaration by Japan of war on Great Britain) between Japan and Great Britain? I asked whether the British position in the Far East will be made any more secure. I pointed out that Great Britain and China are today "resisting force": Would a facilitating of Japan's program against China strengthen Great Britain's position either in the Far East or in Europe?

⁷⁴ Not printed.

⁷⁵ *Ante*, p. 26.

Mr. Butler said that what the Japanese most want is to bring the China campaign to an end and that thereafter the Japanese would turn upon Russia. I expressed doubt on the latter point. Mr. Butler said that the Japanese Army wants one thing and the Japanese Navy another. I expressed the opinion that they both want the same thing—things—expansion and aggrandizement, et cetera, et cetera, for Japan, although they may differ at particular moments regarding what is the more advisable strategy and tactics toward attaining that objective, and that Japan's policy and acts are not those of the Army alone or of the Navy alone but of both functioning as the spearheads of the "military element" in Japan's national efforts.

There followed some discussion of the general situation in Europe and in the Far East. In the course of that part of the conversation, Mr. Butler made the remark that in everything which the Embassy had received from the Foreign Office the indications were that the Foreign Office hoped that the United States would act toward stabilizing the situation in the Pacific and looked upon the presence of the American Fleet there as contributory and desirable in that connection and toward that end.

Mr. Butler said that he wondered whether use might not be made of the China situation toward restraining Japan. He wondered whether clear evidence of intention to give China all possible support—especially in the presence of threats by Japan of further aggressive acts—might not tend to discourage Japan from taking such action. I replied that the American Government has looked with favor upon courses calculated to be of assistance toward making China's resistance to Japan's invasion effective and has favored giving no assent to and no encouragement to any of Japan's various acts of aggression.

Mr. Butler said that Lord Lothian would return to Washington this evening, and I said that in the interval I would bring this conversation to the attention of higher officers of the Department.

S[TANLEY] K. H[ORNBECK]

793.94119/643 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 19, 1940—2 p. m.

[Received 8 : 35 p. m.]

546. A former high official of the Chinese Central Government has informed this office confidentially that quite recently a leading Japanese official proceeded secretly to Hong Kong where he offered an eight-point peace program to the Chinese Central Government. The

only point known to our informant was an undertaking to withdraw all Japanese troops from south of the Great Wall. He said previous overtures had never gone beyond offers to withdraw troops from south of the Yellow River, but that the Chinese Central Government is still holding out for withdrawal from Manchuria also.

Repeated to Chungking and Peiping. Code text to Tokyo.

BUTRICK

793.94/16012

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

[WASHINGTON,] June 20, 1940.

The British Ambassador took me aside after dinner last evening and said that, having just returned to Washington, he had been informed very briefly by Mr. Butler of the matters which Mr. Butler had brought to my attention yesterday noon. The Ambassador then gave me an outline of his views regarding Great Britain's position and prospects in Europe—along the lines of what he had said at New Haven in an address a text of which is here attached⁷⁶. He said that in his opinion the British Government should not accede to the demands of the Japanese military, as the consequences of doing so would be of no advantage to Great Britain. He felt that both the British and the American Governments should stand firm in regard to the situation in the Far East. He said that his idea of strategy would be for Great Britain to keep her Fleet based upon the British Isles; if the British Isles cease to be usable as a base for that Fleet, move that Fleet to Singapore; so long as the British Fleet is in the Eastern Atlantic there would be no great need for the American Fleet in the Atlantic; if the British Fleet disappears from that area, then, of course, the United States Fleet would be needed in the Atlantic; then, a shift of the American Fleet to the Atlantic and of the British Fleet to Singapore would best serve both American interests and British interests.

The Ambassador asked whether the American Government might not to advantage take, in view of the agitation in Japan, some new and special step toward tranquilizing or stabilizing the situation in the Pacific. I said that Mr. Butler had raised that question with me, and that I felt that it was a question which might best be discussed by the Ambassador directly with the Under Secretary or the Secretary.

The Ambassador said that he would hope to call on the Under Secretary or the Secretary shortly.

S[TANLEY] K. H[ORNBECK] ✓

⁷⁶ Not printed.

893.0146/864

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

[WASHINGTON,] June 26, 1940.

Mr. Keith Officer ⁷⁷ telephoned me at seven o'clock last evening and asked whether the Australian Minister ⁷⁸ might call on me at my residence either immediately or after dinner—on an urgent matter.

Mr. Casey came to my residence at nine o'clock. Mr. Casey gave a somewhat extended account of his estimate of the situation, especially the situation in the Far East. He said that the British Ambassador had spoken recently with a high officer of the Department of State and had been given to understand that, in the event of the British and/or the French "having to fight" at Shanghai, they should realize that the United States would not fight, and, with regard to the general situation in the Pacific, that it should not be expected that the United States would fight. He said that the Japanese had pressed and were pressing hard upon the French and the British and that the British were in no position to offer armed resistance. He said that it was obvious that the American Fleet might soon be "of necessity" withdrawn from the Pacific. He said that it seemed to him absolutely necessary for the British to enter an agreement with Japan, an agreement which would involve concessions, not "merely a shoestring but something substantial, something according the Japanese what they want in China". He felt that this was likewise desirable with regard to the United States: he felt that Great Britain and the United States should come to an agreement with Japan. He had advised his Government to that effect. And, he said, he had talked it over with the British Ambassador and he understood that the British Ambassador was advising the British Government to the same effect. He said that he was telling me all of this informally and as friend to friend because he knew that he could speak frankly with me and he wanted to have my reaction.

I made reply that, first, regarding the situation at Shanghai, what Mr. Casey had said surprised me,—for no longer ago than last September the British Government had approached the American Government in writing ⁷⁹ with a statement to the effect that the British Government had no intention, in the event of a Japanese categorical demand for removal of its landed armed forces from points in China, of resisting by force, and the British Government had inquired what

⁷⁷ Counselor of the Australian Legation.

⁷⁸ Richard G. Casey.

⁷⁹ *Aide-mémoire* from the British Embassy to the Department of State, August 29, 1939, *Foreign Relations*, 1939, vol. III, p. 215.

was the American Government's attitude; and the American Government had replied in writing⁸⁰ that it had at no time had the intention that its landed armed forces in China should engage in combat warfare against authorized armed forces of another power; and the American Government had cautioned against there being given any publicity to these statements of position. I said that I was giving Mr. Casey this in strict confidence. I said that I was surprised to hear that the British Ambassador had brought this question up in the connection and in the manner stated by Mr. Casey, and at this time. The important thing, however, to note was, I said, that each and both of the two Governments are on record, in a comparatively recent confidential exchange of written communications between them, to the effect that neither of them would expect or intend to offer armed resistance to a categorical Japanese demand that they withdraw from China the small contingents of armed forces which they have landed there.—Second, with regard to Mr. Casey's thought that the British and/or the United States must now enter into an agreement with Japan, making substantial concessions, et cetera, et cetera, I would prefer, I said, that Mr. Casey broach that matter to and discuss it with a higher officer of the Department. I am, I said, an adviser within and of the Department of State; it is my function to furnish data and express views to appropriate officers of my own Government, and not my function to discuss with a minister of another country views which he has expressed to his government. I would, however, I said, say one or two things. I then said that I see no virtues in appeasement policies, whether practiced in Europe in 1938 or suggested for trial in East Asia in 1940, and that I would venture to predict that if the British and/or the American Governments were to go in for a program of "appeasing" Japan some or all of the following results would flow therefrom: (1) the Japanese, convinced thereby that the countries which approached them considered themselves impotent, would either decline to enter into commitments or would make extensive commitments with the deliberate intention of disregarding them whenever and wherever they chose; (2) the Japanese Army and Navy would act more boldly than ever; (3) bitter and lasting enmity of the Chinese would be incurred; (4) Chinese morale would be weakened and Chinese resistance might be soon brought to an end; (5) in that event the Japanese would be freed for very extensive adventurings to the southward (Indochina, Netherlands East Indies, Malay Peninsula, Siam, Burma, the Indian Ocean—and ultimately Australia and New Zealand); (6) the strength of the Axis-powers group would be greatly increased (that group would have at its disposal ample supplies of essential raw materials); (7) lines of communication between the

⁸⁰ Dated September 4, 1939; *Foreign Relations*, 1939, vol. III, p. 230.

southern Pacific and Europe would be completely cut; (8) the strategic and economic position of the Axis powers would be greatly benefited and the position of the powers opposing them would be increasingly made worse; (9) public opinion in the United States, and I should imagine also in Great Britain, would be unfavorably aroused; and (10) against all this there would accrue to the countries whose governments made that approach no increment of security or any other advantage.—I pointed out that there is at present going on in the world one war, in two theaters; that there are two countries today opposing force to force, China, which has been fighting for three years, and Great Britain, which has been fighting for nine months; that the Chinese have been rendering a great service by preventing the Japanese from rendering effective assistance to Germany; that as long as Chinese resistance to Japan continues, the Japanese will be busy in the Far East, but that if Chinese resistance collapses the Japanese will become free to give great assistance in a great variety of ways to Germany and Italy.

I said that in making these statements I was expressing merely an opinion, my opinion, and that Mr. Casey should not regard this as in any way indicating or suggesting a Departmental opinion or attitude. I said that I must request that in any memorandum or any report which he might make regarding this conversation he should leave my name out and should regard the record as strictly confidential. Mr. Casey said that he understood fully that I was merely expressing an opinion, personally and unofficially, and that he would consider the conversation as strictly confidential and would leave my name out of any recording of it.

S[TANLEY] K. H[ORNBECK]

793.94/15989 : Telegram

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

Tokyo, June 26, 1940—5 p. m.

[Received June 27—9 a. m.]

501. In what is described as an important address before all officers of the War Ministry yesterday, the War Minister is reported to have urged that, in view of the present world situation favorable to Japan, Japan must not miss this golden opportunity to implement its policies, the most important of which is the settlement of the incident. He expressed sympathy for the efforts now being made to create a new national political party.

Sent to the Department via Shanghai, Shanghai please repeat to Chungking, Peiping.

GREW

711.94/1582

*The British Embassy to the Department of State*AIDE-MÉMOIRE

His Majesty's Government in the United Kingdom feels that the collapse of the French resistance has created a situation which compels it to reconsider the policy it has pursued in the Far East for the last year. That policy has been to try to reach agreement with Japan on minor issues such as Tientsin, but to pursue a parallel course to that of the United States in rejecting Japanese plans for a new order in China at the expense of the unity and integrity of China and of legitimate European interests in the Far East. His Majesty's Government recognise that the success of that policy hitherto has been largely due to the fact that the United States have supported it by maintaining their fleet in the Pacific.

2. In the view of the British Government the situation has been fundamentally changed by the fact that Great Britain is now the sole focus of resistance to the Axis powers in Europe and the pressure exerted by Germany and Italy on Japan to join the Axis and help itself to British, Dutch and French possessions⁸¹ and thereby destroy all external support to the Government of Chiang Kai-shek except that which he is able to obtain from Russia. As first consequences of the situation His Majesty's Government in the United Kingdom have just received demands from Japan that it should withdraw its troops from Shanghai and close the Hong Kong frontier and the Burma road so that no further supplies should reach Chiang Kai-shek by these routes and it recognises that if it yields to these demands they will probably be followed by others, that at any moment an occupation of some part of French Indo-China may take place and that this process must in the end not only gravely compromise the security of the British Commonwealth but the interests of the United States itself.

3. Inasmuch as the whole responsibility for maintaining resistance to Germany and Italy in Europe now devolves upon Great Britain alone His Majesty's Government feels that it is now impossible for it to offer opposition to aggression both in Europe and the Far East. It cannot offer resistance to the demands of Japan to alter her *status quo* in the Pacific to the point of involving itself in war in the Pacific by itself. There would now therefore appear to be only two courses open. The first is that the United States should increase their pressure on Japan in order to maintain the *status quo* either by imposing a full embargo or by the despatch of ships to Singapore in full realisation that if these steps do not suffice to stop aggression it may

⁸¹ See also pp. 1 ff.

result in war with Japan. The second is to wean Japan from aggression by a concrete offer to negotiate a new agreed settlement of the Far Eastern situation.

4. His Majesty's Government would be glad to know whether it is possible for the United States Government to adopt the first course and if so His Majesty's Government will cooperate in executing it. They feel that if the United States Government is able to do this it will suffice to maintain the *status quo* in the Far East without serious risk of war.

5. If the United States Government is unable to adopt this policy His Majesty's Government would be glad to know whether it would cooperate in making proposals for a Far Eastern settlement. Sir Robert Craigie has informed the Foreign Office that he believes that if the United States and Great Britain were to agree upon it promptly an understanding might yet be reached with Japan along the following lines: (a) joint assistance in bringing about peace with Chinese Government on the basis of restoration of China's independence and integrity. (b) Japan formally to undertake to remain neutral in the European war and to respect full territorial integrity, not only of the Netherlands East Indies but also of British, French and American possessions in the Pacific, so long as the *status quo* of these territories is preserved. (c) The United States and members of the British Commonwealth to give Japan all financial and economic assistance and facilities in their power both now and during post-war reconstruction period. (d) Allied Governments to receive full guarantees against re-exports to enemy countries. (e) Question of future status of settlements and concessions in China to be left in abeyance until restoration of peace in Europe and China.

6. His Majesty's Government do not wish to commit themselves to any particular proposals until it has ascertained whether the American Government will be willing, if suitable proposals can be agreed, to press them jointly upon the Japanese and the Chinese Governments. His Majesty's Government is hopeful that this course might meet with success. It believes that the forces opposed to Japan's entry into the war as an ally of Germany and Italy with all the risks that this must involve, are still powerful in Japan though the militarist party is rapidly gaining strength and may prevail unless some concrete alternative is presented to Japan. Japan's most consistent anxiety is as to its future relations with Russia and these might be seriously prejudiced if it became involved in war in the Pacific as well as in China. The Japanese Government might well prefer a settlement which gave her peace and some of the demands in the Far East to taking the immense risks from their own point of view of plunging into war.

7. His Majesty's Government hopes for an expression of the United States Government's views at the earliest possible moment as at any time now an incident may take place in the Far East which may place the situation out of control.

WASHINGTON, June 27, 1940.

711.94/1580

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 27, 1940.

The British Ambassador came in at his request and stated orally the substance of the attached *aide-mémoire*.⁸² I replied that as to the first suggestion about sending our fleet to Singapore and exerting economic pressure on Japan my Government for manifest reasons would not be in a position at this time to send its navy that far away, assuming that it might otherwise desire to do so, an assumption which I am not in any sense accepting as true or practical. I said that I would let him know further about my impressions in regard to the second proposal in the *aide-mémoire*. The Ambassador was accompanied by the Minister of Australia, who was likewise interested in the matter.

The Ambassador also handed me a note (copy attached)⁸³ regarding Great Britain's determination to continue the struggle against Germany even in the event of a complete capitulation by France.

C[ORDELL] H[ULL]

711.94/1584

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

[WASHINGTON,] June 28, 1940.

The Australian Minister called upon me at quarter past one today, the only time I had available to see him. He left with me the attached memorandum⁸⁴ which he said represented the views of his Government as urgently expressed to him in telegrams which he had received during the past twenty-four hours.

The Minister stated that he was due to see the Secretary of State, together with the British Ambassador, at four o'clock this afternoon. I told the Minister I would be glad to see that the Secretary had this memorandum before the meeting.

⁸² *Supra*.

⁸³ Dated June 26, not printed.

⁸⁴ *Infra*.

711.94/1584

*The Australian Legation to the Department of State*⁸⁵

1. Policy to date—U. S. A. and Britain—Block Japan—Help China.
 2. This policy plus presence of U. S. fleet in Pacific has kept Japan quiet outside China.
 3. Position now radically changed, because of—
 - (a) Success of Axis powers in Europe.
 - (b) French fleet.
 - (c) Increasing Japanese belief that U. S. unlikely let fleet fight in Far East.
 - (d) and even may largely remove fleet from Pacific.
 4. Japan heartened by above to make demands on Britain in Far East.
 5. Such demands may shortly become such that Britain has to concur or find herself at war with Japan.
 6. British Empire cannot successfully fight Japan plus Axis powers.
 7. If British Empire has to fight, she is likely to lose all footholds and influence in Far East—Netherlands East Indies and possibly Singapore likely to go. Australia likely to assist N. E. I.—and will so find herself directly engaged with Japan.
 8. United States then alone in Far East—and raw material from tropical areas in Far East denied her—or at least Japan in possession of bargaining counters that may force U. S. A. to give Japan more liberal commercial terms.
 9. If U. S. A. and British Empire compromise now and negotiate together with Japan, the concessions that we can give together likely to be very considerably less than Japan will be able to take by war.
 10. Japan however will have avoided risky war (having Russia in mind) and will be able to remedy shaky domestic economic position.
 11. Therefore advisable that U. S. A. and Britain stick together—or suffer separately.
 12. Essential for sake of bargaining power that U. S. fleet remains in Pacific meanwhile.
 13. Argument that “Japan won’t keep any agreement she may make.”
- Answer: She’ll keep it for a year or so—and anyhow U. S. A. and Britain can take “commercial hostages”.
14. Stable relations with Japan would enable largely increased Australian and New Zealand forces to be employed in main theatre of war.

⁸⁵ Handed to the Under Secretary of State by the Australian Minister, on June 28.

711.94/1581

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 28, 1940.

The British Ambassador, accompanied by the Minister of Australia, called at my request. I said that I desired to make reply to the two proposals and inquiries made by their two Governments on yesterday and set forth in an *aide-mémoire* placed on file yesterday.⁸⁶

One was an inquiry as to whether this Government would place an embargo against Japan and send our fleet to Singapore, where it might have a base. To this I said that I had replied on yesterday to the effect that we could not think of sending our fleet to Singapore for the sake of peace in the Pacific area: that this would leave the entire Atlantic seaboard, north and south, exposed to possible European threats; and, secondly, as to the embargo proposal, I said that this country has been progressively bringing economic pressure to bear on Japan since last summer, now a year, and I enumerated the different steps and methods, which are familiar to all, and added that our fleet is now somewhere in the Pacific near Hawaii. I said that we have and are doing everything possible short of a serious risk of actual military hostilities to keep the Japanese situation stabilized, and that this course during the past year is the best evidence of our intentions and activities in the future.

As to the second proposal of a joint effort to bring about peace between Japan and China, I explained rather fully what this Government has been doing during the past several weeks to explore every phase of the Japanese possibilities, making it clear that until the French surrender the developments were increasingly interesting, but that since the surrender of the French, the military group is moving in the direction of Hitler and Hitlerism with all that that means in making aggravated application of their doctrine of the new order in eastern Asia. The Ambassador finally inquired as to what objection there could be to an effort by the British and the Australians to bring about peace adjustments between Japan and China. I said that, of course, my Government would have no thought or occasion to object, that we ourselves, as stated, have for some weeks been exploring the situation; that if, as the Minister of Australia says, Australia can make certain concessions of iron ore privileges and other things to Japan in which she is much interested, and if the British can make some concessions of interest and value to Japan and they desire then to call on Japan and China to see what concessions they are willing to make upon the theory that all of the countries must make some

⁸⁶ *Ante*, p. 365.

concessions if peace is to be brought about, this objective would be in line with the desires of this Government; that this Government would only make two points in that connection, one, the principles underlying the Japanese new order in eastern Asia policy as it is being practiced would need negating or at least serious modifying, and, second, that no properties or interests of China be offered to Japan by Great Britain or the United States, or, in other words, that we do not make peace with Japan at the expense of China nor at the expense of the principles which were contained in my statement to Japan and 55 other Governments in July, 1937,⁸⁷ when Japan moved into China for the purpose of its conquest. The Ambassador and Minister seemed to understand this view and also that this Government has already moved along this entire direction, especially so far as Japan is concerned.

I handed the Ambassador and the Minister as an informal record of statements made orally a copy of the attached statement⁸⁸

C[ORDELL] H[ULL]

711.94/1581

*The Secretary of State to the British Ambassador (Lothian) and the Australian Minister (Casey)*⁸⁹

ORAL STATEMENT

In reference to the subject matter presented to me by the British Ambassador and the Australian Minister on June 27 and presented in the British Embassy's *aide-mémoire* of June 27, both in regard to the situation in the Far East, I may say:

We here are fully cognizant of the difficulties which confront the British Empire in various areas at this time, and the attitude of the American people and the American Government have been clearly shown to be sympathetic and animated by a desire to be helpful and cooperative. I welcome and I appreciate the exposition of British official thought which has been conveyed in the conversation and the *aide-mémoire* under reference, and I have given very careful thought to the suggestions put forward therein.

The British Government and its representatives in the Far East are, of course, watching every phase of the situation there as it unfolds. So also are this Government and its representatives in the Far East. The British Government entertains the belief that by

⁸⁷ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 325.

⁸⁸ *Infra.*

⁸⁹ Copies handed to the British Ambassador and the Australian Minister by the Secretary of State on June 28. A summary of this statement was transmitted to the Ambassador in Japan in telegram No. 232, June 29, 5 p. m., not printed.

negotiations with Japan at this time a new agreed settlement of the Far Eastern situation might be arrived at which would safeguard British and American interests in that area. By way of confidential information—This Government, having endeavored and continuing to endeavor to maintain the closest possible contact with the situation in the Far East to the end that it may be cognizant promptly of any willingness on the part of Japan to cooperate with the other powers interested in the Far East on a basis and on lines which would in fact produce a situation wherein the interests of powers other than Japan would be safeguarded, has found no substantial evidence of any such willingness on the part of Japan. Without going into details, the simple fact is that this Government has been exploring with the Japanese Government many aspects of the situation and its problems. All reports which come from the Far East, day by day, of political action and political trends indicate that Japan's leaders feel that there lies before them an extraordinary opportunity to impose their political will in the Far East and that they intend to pursue that objective wherever they are not confronted with material opposition and obstacles. I see little in the situation warranting expectation or hope that the Japanese can be "weaned away" from this objective and the course which they are pursuing by offers of intangible concessions or of future material assistance. The United States possesses nothing in the Far East of a tangible character which it might offer and which it might throw into the scales of a negotiation. The United States would not be willing to offer to Japan concessions or assistance at the expense of or to the injury of a third or other powers.

The British Government suggests as an alternative that the United States might exert influence by application of material pressures. As a matter of fact, the United States has already influenced and is influencing the situation to some extent by resort to that method. It will be recalled that the British Government has on several occasions suggested to us that we should not go too far in use of that method lest, rather than improving the situation, we make it worse. This Government is carefully weighing every day, in the light of developments in the world situation, the pros and cons of the opportunities presented and the procedures which may be involved toward increasing or relaxing such pressures as may appear advisable from moment to moment.

In our opinion, the alternative procedures which the British Government suggests do not exhaust the possibilities as regards courses which are susceptible of being pursued. There have occurred in the Far East many developments which have involved impairments of the rights and interests of the British Empire, of the United States,

and of other countries. These developments have been highly distasteful to the governments and peoples adversely affected by them. The various governments concerned, however, have not resorted, toward combating them, to either of the methods which the British Government now suggests. We all have had to acquiesce in various of them. Acquiescence may be a matter of necessity. Giving of assent is, however, quite another matter. In a process of bargaining, if engaged in, that which may be conceded or be given by those powers which are on the defensive will become irrevocable. Future performance, by way of return therefor, is problematical.

In as much as the British Government's information and this Government's information regarding the situation in the Far East leads the two Governments respectively to conclusions which do not absolutely coincide, it may be that the British Government would care on its own initiative and responsibility to explore with the Japanese Government the question whether Japan would be prepared at this time to negotiate for a settlement on lines such as the British Government envisages as possible. It goes without saying that the Government of the United States would welcome the termination of the hostilities between China and Japan—on terms which would be consistent with the principles in which this country believes and the position which this Government has consistently maintained, with a settlement which, to be satisfactory, must be fair to all concerned.

I believe that both the British Government and the Japanese Government clearly understand the general position of the United States in regard to problems of the Far East. The attitude of the American people and of the Government of the United States toward Japan, toward China and toward Far Eastern—as toward other—problems rests on and abides in certain fundamental principles among which are: the principle of respect for procedures and conditions of law and order; the principle of respect for international commitments; the principle of modification of commitments and altering situations by peaceful processes; the principle of non-interference by nations in the internal affairs of other nations; the principle of equality of commercial and industrial rights and opportunities; and the principle of refraining from use of force in prosecution of positive national objectives.—If the British Government discovers or if this Government becomes aware of indications that the attitude of Japan has developed or is developing along lines which would cause Japanese negotiators to give sympathetic consideration to these principles, the Government and people of the United States would unquestionably look and act toward pursuit of and multiplication of methods of cooperation in many fields.

793.94119/644 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 28, 1940—8 p. m.

[Received June 28—4: 53 p. m.]

An informant whose contacts should enable him to obtain accurate information from Chinese official sources on this subject states that the peace terms recently offered by the Japanese to the Chinese embraced the following principal points:

(1) The independence of Manchukuo; (2) right of Japanese to develop mining in North China; (3) participation of Japanese in railway development in North China; (4) withdrawal of all Japanese troops from China within 6 months; (5) Wang Ching Wei and Wang Keh Min to be included in National Government; (6) all Japanese supported currencies to be withdrawn within 3 years within which period these notes to be accepted at par by Chinese banks and finally to be amortized by Japan.

Informant states these terms submitted to Chinese about 5 weeks ago and that Chiang Kai Shek desired to accept but was prevented by Eighth Route Army group who refused to consider any terms except complete and unconditional withdrawal of all Japanese military forces from China and Manchukuo.

Sent to Chungking. Repeated to the Department and Peiping. Code text by air mail to Tokyo.

BUTRICK

740.0011 European War 1939/4298 : Telegram

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

PEIPING, June 29, 1940—4 p. m.

[Received 6: 15 p. m.]

221. Peiping's 207, June 20, 3 p. m.⁹⁰ In several conversations during the past week with Mr. Nikitin,⁹¹ with whom I am on very friendly terms, I have gained the same impressions in regard to Soviet policy as reported in the telegram under reference.

Mr. Nikitin called on me this morning and said that in conversations yesterday both the officer in charge of the German Embassy here and the Italian Naval Attaché told him that peace between China and Japan was imminent, although expressed no views in regard to possible peace terms. Mr. Nikitin said that he believed that these German

⁹⁰ Not printed.⁹¹ Soviet Consul at Kalgan.

and Italian statements were based on information from Japanese sources, as all his own information was to the effect that the Chinese were determined to continue resistance even if the Indochina and Burma supply routes were cut off. He said that the Soviets were continuing their usual assistance to the Chinese over the Lanchow Highway, and that, if necessary, this assistance would be increased so far as conditions on that road permitted. He said quite frankly that, in their own interests, the Soviets could not permit Japan to conquer China and that, even if the Soviets should become more deeply involved in Europe, they would give China assistance to prevent a Japanese victory.

Sent to the Department. Repeated to Chungking, Shanghai. Code text by air mail to Tokyo.

SMYTH

711.94/1585

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

[WASHINGTON,] July 1, 1940.

The British Ambassador came to see me this morning. The Ambassador said he wanted to speak to me a few minutes entirely informally with regard to the subject which he and the Australian Minister had discussed with the Secretary of State on June 28. I said to the Ambassador that I was familiar in general terms with the conversation.

The Ambassador said he was very much disquieted by the way in which his Government was apparently permitting matters to drift in the Far East since he believed that it was out of the question for Great Britain to oppose in any effective manner Japanese expansion in the Pacific at this time unless and until the Japanese got as far as Singapore. He stated that his basic idea was that the British Government should make every effort to persuade the Japanese and Chinese Governments to agree upon the terms of some reasonable peace not violative of the basic policy for which the United States was standing. He stated that if Great Britain made this effort she must clearly be prepared, as he phrased it, "to throw some material contribution into the pot herself". He said it was only reasonable to suppose that even a Japanese Government which was sincerely fearful of the spread of Hitlerism to the Far East and which preferred to try to work out some sensible understanding with the United States and with Great Britain would be unable to persuade the Japanese military element to agree to such an arrangement as that which he had in mind unless it could show the Japanese army and the Japanese people that it had not only obtained a reasonable peace with China,

but also material concessions and, in particular, concessions which guaranteed to Japan an assured source whence it could obtain the raw materials such as rubber, tin, oil, et cetera, at all times. He stated that Australia was prepared to grant a concession to Japan for the iron deposits in northern Australia which Japan had long wanted and that it was obvious that the Dutch Government was not in a position where it could refuse to make similar arrangements with Japan with regard to the Netherlands East Indies. In addition to that he thought Great Britain must be prepared to acquiesce in the obtaining by Japan of territorial concessions which could be held up to the Japanese army as a *quid pro quo* for its possible willingness to refrain from seizing the Dutch East Indies or British colonies. If Great Britain did this he believed that it could with better grace ask Chiang Kai-shek to make concessions in a peace with Japan upon those concessions which he had so far been prepared to discuss.

I asked the Ambassador if he would indicate to me exactly what concessions he believed the British Government would be willing to make in such event. The Ambassador said he had not yet had any precise instructions from his Government on this point although he had repeatedly endeavored to try to obtain some precise idea from his Foreign Office. Then, somewhat to my amusement, the Ambassador told me that he believed his Government might be prepared to agree to the seizure by Japan of French Indo-China. He added that he did not imagine that his Government had the slightest intention under present conditions of "fighting to preserve Indo-China for France."

I told the Ambassador that until he had heard more positively with regard to the point of view of his Government, it would be difficult for me to make any considered reflections on what he had just outlined. I said that I knew that the Secretary of State had spoken with him regarding the conversations which this Government had recently been having with the Japanese Government and that I personally of course would favor any peace between Japan and China at this time which did not impair the integrity or independence of China and which did not grant to Japan any exclusive or monopolistic strangle hold over China; and that so far as concessions of any other character were concerned, that, of course, was not a question in which this Government was directly concerned, provided always that its national security or capacity for self-defense was not prejudiced through the making of such concessions. The Ambassador told me that he would inform me if and when he had any precise instructions from London with regard to these questions.

The Ambassador spoke with great bitterness with regard to France and the present French Government. He said that all of the reports

he had were to the effect that the morale of the French navy had completely broken down and that no resistance would be made by any of the French naval officers in turning over the French warships into German hands. He said he had only this morning had word to the effect that the authorities in Dakar were now refusing to give fuel, provisions or water to the British naval vessels in that port. He believed, he said, that there would soon be in France a completely Fascist French government entirely in sympathy with and subservient to the German Government.

S[UMNER] W[ELLES]

711.94/1549 : Telegram

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

Tokyo, July 1, 1940—11 p. m.

[Received July 1—2:30 p. m.]

520. Reference our telegram 615, November 21, 6 p. m.;⁹² 633, November 27, midnight [*noon?*];⁹³ 650, December 2, 6 p. m., 1939.⁹⁴ A completely trustworthy American citizen has recently had an interview with "Mr. X"⁹⁵ in Hsinking, Manchuria, in the course of which the latter expressed views substantially as follows.

He is glad for two reasons that his previous attempt to interest the American Government failed: first, he has subsequently visited Germany, has met Hitler, Goering and the principal Nazis and has been "shown everything" by instructions of Hitler including the principal industrial plants and the most important munitions factories, where he states that he saw the secret manufacture of "two ton bombs", because Hitler wanted an alliance with Japan and wished to influence through him Japanese financial interests which opposed the alliance; second, at that time he had nothing to offer the United States which it really needed and his effort would probably have failed. He now feels that he has something to offer which "the United States may need desperately."

He asserts that his responsibility for developing the heavy industries of Manchuria has forced him against his desire to engage in political activities but exclusively to carry out that responsibility which requires capital given in large amounts. He recognizes that at the present time the United States is the only possible source of such capital.

⁹² *Foreign Relations*, 1939, vol. III, p. 596.

⁹³ *Ibid.*, p. 599.

⁹⁴ Not printed.

⁹⁵ Yoshisuke Aikawa, Japanese industrialist.

Developing his ideas he asserted that the war may be over sooner than is generally expected, that England will probably lose but that Hitler now has all that he needs and will not push England too hard; that Germany will have all of the productive power of the conquered countries, will establish a United States of Europe and will be very strong. He believes that Germany will demand the property in the United States of the conquered countries and that if the United States refuses to deliver them it will mean war. Likewise, Germany will attempt to get the Dutch East Indies and French Indochina and as Japan is pledged not to allow this it will make trouble between the two countries. Therefore, he asserts that the United States and Japan should join for mutual safety, adding that he thinks Americans generally do not realize the peril of the present situation and that their belief that the United States will always be safe in the Far East may not prove true much longer.

His view is that the present state of affairs should be settled on a foundation of broad economic considerations. For example, a credit of a few million dollars would be a very small price to pay for assured peace in the Pacific. In this connection he asserts that he would be able to offer strong influence in various ways in United States-Japanese relations.

"Mr. X" desires to go to the United States immediately but requests that he be assured of an interview with the President. In this connection he asserts that he can and will be glad to give the President valuable first-hand information regarding conditions in Germany, and is certain that if he can see the President much good will come from it.

With reference to Department's 381, December 1, 5 p. m., 1939, I presume that Department will desire me to discourage this renewed proposal on the part of "Mr. X".⁹⁶

Please instruct.

GREW

793.94/16010

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 2, 1940.

The Ambassador of China called in company with Dr. T. V. Soong, presumably for the latter to pay his respects. I served with him for six weeks at the London conference in 1933.

In answer to questions he said that his country had lost some 2,000,000 men and the Japanese 750,000 since the outbreak of the fighting on July 7, 1937. He said that his country was sustaining

⁹⁶ Telegram No. 381 not printed; it approved the Ambassador's effort "to discourage the proposal made to you".

itself and thoroughly disposed to continue the fight; that it was a serious matter, however, to note the obstruction by the French of the Hainan road and the entire passage through Indochina, leaving only the Burma road under control of the British and the road from Russia through Outer Mongolia. I inquired whether the Russians will continue to aid the Chinese and he said that from time to time they aided them mainly with airplanes which they purchased on a rather long-term credit, and that he thought Russia would aid them in the future.

I inquired whether in his judgment the British would yield to Japanese demands to shut out the transportation of Chinese war supplies from Rangoon across to China, and he expressed himself in the negative. He thought it very important for this Government, in that connection, to indicate in some suitable emphatic way the interest of this Government in the British position. He said that they only had a very limited number of airplanes for fighting purposes, while the Japanese had many, but that each day near Chungking the few Chinese planes go up and bring down an average of two or three Japanese planes. He stated that Japan at present had no notion of any peace settlement short of general domination of China.

C[ORDELL] H[ULL]

793.94119/646 : Telegram

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

CHUNGKING, July 2, 1940—10 a. m.

[Received July 3—12:30 a. m.]

313. Reference Shanghai's June 19, 2 p. m., to the Department and June 28, 5 [8?] p. m., to Chungking. Alleged Japanese peace overtures. The Embassy has been paying close attention to various reports of alleged peace terms offered by Japan to the Chinese Government. Thus far the Embassy [is] able to obtain no confirmation from Chinese official sources of the presentation of Japanese terms. On May 28 the Minister for Foreign Affairs⁹⁷ told a member of my staff that there was no truth in rumors of Chinese-Japanese peace negotiations which he said emanated from Shanghai and were obviously Japanese inspired. Dr. Wang added that in his opinion China could not hope to obtain advantageous terms by entering into peace discussions with Japan at this time and expressed the further view that the Far Eastern conflict is now linked with the European war and that peace in the Far East cannot come before but must come simultaneously with peace in Europe.

⁹⁷ Wang Chung-hui.

On June 20 the Vice Minister for Foreign Affairs informed a member of my staff that there were no peace negotiations in progress between China and Japan, that such negotiations could not prove fruitful at present and that if Japan wished to propose terms then let the terms be transmitted through the good offices of the President of the United States. Hollington Tong, close confidant of the Generalissimo, informed a member of my staff on June 30 that he has no knowledge of alleged recent Japanese peace overtures to the Chinese Government or to the Generalissimo and he went on to say that as the Chinese authorities had utterly no faith in Japanese promises, commitments and utterances the Chinese Government would ignore direct Japanese overtures and refuse to deal directly with the Japanese and that the American Government would be the first to be apprised should peace negotiations develop inasmuch as China would wish to have the aid of the United States as an intermediary.

While the Embassy is unable to confirm or give credit to reports of Japanese peace overtures,⁹⁸ yet it cannot be overlooked that various factors such as the closing of transit routes through Indo-China and Burma to China and the shifting of American and Russian interest and concern from Far Eastern to European events and developments might possibly put the Chinese Government and leaders more in a frame of mind to negotiate with the Japanese than would otherwise be the case.

Sent to the Department. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

711.94/1549 : Telegram

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

WASHINGTON, July 3, 1940—6 p. m.

240. Your 520, July 1, 11 p. m. The Department suggests that in your discretion you make reply along lines as follows:

The views of "Mr. X" have been studied with interest and the spirit which prompted him to advance them is very much appreciated. Notwithstanding our having previously discouraged Mr. X's earlier approach, he has persisted in entertaining the thought that a direct discussion of his proposals with officials of the American Government would be profitable. The attitude in the United States toward the question of extension of credits to and investment in Japanese enterprises, so far as we are aware, remains unchanged. The view of Mr. X to the effect that Japan's best interests lie in the direction of coopera-

⁹⁸ On July 30 the Japanese Embassy in Washington issued a press release denying the truth of reports of Japanese peace overtures.

tion with the United States is concurred in by us. What seems needed and what we would suggest might be helpful would be for him to endeavor to cause influential circles in Japan to support and cultivate in Japan that point of view. It is of course impossible in advance of fuller information to indicate what would be our reaction to such proposals as Mr. X might make; but if he desires to undertake the trip, appropriate officers of this Government will be glad to talk with him on the subjects indicated. Definite assurance of the President's seeing him cannot be given, but if he decides to visit this country and if after his arrival here the Japanese Ambassador requests that an appointment be made for the President to see him, the appointment would presumably be made unless exigencies of the President's schedule and of the situation then existing should make such an appointment not feasible.

We feel strongly that publicity should be minimized and that if Mr. X makes this trip he should understand clearly that it is upon his own initiative and responsibility and not upon the initiative and responsibility of the Department or of your Embassy or of any person or group connected with either.

HULL

711.93/446 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 3, 1940—8 p. m.

[Received July 3—4 a. m.]

590. Lian Ur Chang, who occasionally calls at this office and at our office in Nanking, and is connected with the Wang Ching-wei regime, although he states he has not taken up any official position as yet, called today. He said that the Wang Ching-wei regime desires to be friendly with the United States and that he felt, and he knew that Doctor Chu Min-yi, the Nanking Minister of Foreign Affairs, felt that the United States should take advantage of the presence in Washington of T. V. Soong to urge upon him the necessity for peace and reconstruction in China, to be attained through a union of the Wang regime and the Chungking Government. He pointed out that both had the same president, Lin Sen. He also brought up the question of the functioning of the Special District Courts in the Settlement which he felt should be administered by the Wang Ching-wei regime.⁹⁹ I said I saw no necessity for any change in the courts and informed him that I could not in any way act as a means of conveying the opinions of the Wang regime to the American Government.

⁹⁹ See also pp. 727 ff.

Sent to the Department. Repeated to Chungking, Peiping and Nanking.

BUTRICK

711.94/1546 : Telegram

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

WASHINGTON, July 4, 1940—3 p. m.

243. Your 512, June 29, 1 a. m.,¹ and previous.

1. Subject to such comment as you may care to offer, the Department suggests that in continuation of the series of conversations which you have been having with the Minister for Foreign Affairs you offer in response to his oral statements of June 12 (your 448, June 12, 11 p. m.²) and the oral statements embodied in your 510, June 28, 11 p. m.,³ and 512, June 29, 1 a. m., respectively, oral comment as follows:

The Department of State has been giving careful thought to the memoranda of the Minister for Foreign Affairs in regard to American-Japanese relations and is gratified at the manifestly attentive consideration which the Minister for Foreign Affairs has given to the views of this Government as embodied in your oral statement communicated to the Minister on June 19.⁴

As indicated in the Department's telegram no. 172, May 30, 2 p. m., we consider that the situation presented by the present European war, whatever the outcome, is a matter of grave concern. This is especially true in respect to those nations whose prosperity to an important degree is dependent upon foreign trade. It is clear from what Mr. Arita has said that the Japanese Government, as does this Government, attaches great importance to foreign trade. In examining Japan's official trade statistics we note that in 1939 of Japan's total exports 64.9 percent by value went to the countries of Asia and 21.5 percent to the countries of the American continent, leaving a balance of 13.6 percent for the rest of the world. Of Japan's total imports 40.5 percent by value came from the countries of Asia and 42.8 percent from the countries of the American continent, leaving a balance of 16.7 percent for the rest of the world. These figures indicate clearly Japan's interest in there being averted as far as practicable developments arising out of the hostilities in Europe which would cause disturbed conditions to extend to the countries of Asia

¹ Not printed, but for the statement of the Japanese Minister for Foreign Affairs, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 91.

² *Ibid.*, p. 79.

³ Telegram not printed; for statement by the Japanese Minister for Foreign Affairs, June 28, see *ibid.*, p. 90.

⁴ *Ibid.*, p. 83.

and America and impair the flow of trade between Japan and the countries in the continents mentioned.

Of the total exports of the United States in 1939 the countries of Asia took 17.6 percent by value and the countries of the American continent 35.8 percent. Of our total imports we derived 30.2 percent by value from the countries of Asia and 38.7 percent from the countries of the American continent. The United States is therefore also greatly interested in the free flow of trade between it and the countries of both Asia and America. The parallel between Japanese and American interests in trade may be extended still further. A substantial portion of the trade between Asiatic and American countries consists of the trade between Japan and the United States. This trade is in large measure complementary in character. Under any system of economic autarchy there could not develop such a healthy and profitable trade relationship as that which has existed between Japan and the United States. It is also significant that both in Japan and in the United States respect for private property rights constitutes the foundation of the social and economic system.

A further circumstance bearing upon economic and commercial relationships between on the one hand the United States and on the other hand countries of the American continent and countries of Asia is that certain of those countries need capital for progressive development and the United States has available funds for investment abroad. It goes without saying, however, that capital is naturally not venturesome and finds outlets only in regions where conditions of security, stability, order and progress obtain.

In his memorandum of June 28 (your 510) the Minister for Foreign Affairs stated that it is imperative that Japan, because of its need for overseas markets and sources of supply, should seek "to preserve certain special trade outlets with countries and regions although she upholds as a fundamental basis for trade the principle of non-discrimination". It would appear to us that the interests of a country such as Japan whose economy is based upon foreign trade would best be served by the application to the widest extent of the principle of equality of commercial opportunity and the maximum liberalization of the principle of non-discrimination in trade. An attempt by one country to exempt particular areas from the applicability of these principles would inevitably lead other countries in their turn to make claims for the exemption of other areas, with the result that there would be created a series of regional economic blocs based upon preferences and discriminations which could not fail to be detrimental to the interests of the major trading countries. On the other hand in a mutual system of non-discrimination Japan would not have its trade limited to one regional economic bloc but would enjoy both the ad-

vantages of supplying to a wide range of markets those goods which Japan can most efficiently produce and the correlative benefit of obtaining its needed materials from the least expensive sources. More than under any other international trade system, Japan would, under a system of non-discrimination, be able, in the regions in which it has expressed a special interest, to reap benefit from the competitive advantage which it enjoys by virtue of its position of geographic proximity to those regions.

With regard to the question of Japan's policy toward the Netherlands East Indies to which reference is made in caption C. of paragraph 4 of the Minister's oral statement of June 12, this Government has noted that according to a statement of the Japanese Foreign Office the Japanese Government is negotiating with the Netherlands and the Netherland East Indies Government on the subject of trade and enterprise and the entry of Japanese into the Netherlands East Indies. We have noted especially that notwithstanding the reported declaration of the Netherlands and the Netherland East Indies Government that they would not take any measure that would prevent the export to Japan of commodities deemed essential by Japan, the Japanese Government has asked the Netherland and the Netherland East Indies Government to take appropriate measures to "definitely assure the export of the desired quantities of required goods." As the Japanese Government is aware, the products of the Netherlands East Indies enter prominently into the economy of many countries. The United States maintains important commercial relations with the Netherlands East Indies and there exists there a substantial American enterprise. According to the statistics of this Government for 1937, the latest year for which complete statistics are available, of the total foreign trade of the Netherlands East Indies 15.8 percent by value was with the United States as compared with 11.6 percent with Japan. Consequently, the Government of the United States has a substantial interest in the maintenance in the Netherlands East Indies, as well as elsewhere, of the principle and practice of equality of opportunity in trade and enterprise. This Government would therefore appreciate it if the Japanese Government would keep this Government informed of how these principles are being given application in the negotiations which the Japanese Government is conducting with the authorities of the Netherlands East Indies.

With reference to the Foreign Minister's oral statement of June 28 (forwarded in your 512, June 29, 1 a. m.), in which the Foreign Minister addresses himself to the proposal of this Government for an exchange of notes on the subject of the maintenance of the *status quo* in the possessions and territories in the Pacific area of the belligerent European powers, the Foreign Minister indicates his belief that for

the United States and Japan, which countries are not belligerents, to conclude any sort of an agreement on this subject would give rise to very delicate relationships for Japan, which has taken a position of non-involvement. It would appear, however, to this Government that the proposed exchange of notes would contribute materially to making secure Japan's position of non-involvement in the European war and indeed the proposal of this Government was motivated by a desire to minimize in the region of the Pacific the adverse effects of the European hostilities. Moreover, it is the conviction of this Government that in periods of disturbed international equilibrium, the reaffirmation by governments of fundamental principles and policies as contemplated in the proposed exchange of notes operates in the direction of cultivating stability. Considerations of the importance of Japan's trade relations with the Pacific region, as indicated by trade statistics, would seem to us to be an impelling reason for the giving by the Japanese Government of favorable consideration to the suggestion of the American Government.

The Foreign Minister states that he cannot consider the American proposal dissociated from conversations which have been held hitherto and suggests that, in order to make further progress in the conversations concerning this proposal, he be informed of this Government's views with regard to the statements contained in his oral statement of June 12.

In paragraph 4 of the Foreign Minister's memorandum of June 12 (your 448, June 12, 11 p. m.) there are enumerated three problems as worthy of particular study in connection with the question of effecting and [an?] improvement in American-Japanese relations. These problems relate to Japan's present and future economic policy and to recent manifestations of certain aspects of Japan's policies in relation to China, the Netherlands East Indies and Thailand. We, for our part, also regard these problems as important and believe that clarification of the questions posed in regard to them is essential to consideration of the suggestion contained in caption A of the last paragraph of the Foreign Minister's oral statement, under reference, namely, the question of the concluding of a *modus vivendi* between the United States and Japan as a temporary measure. It would therefore be helpful to have as concrete indication as possible in regard to the aims and intentions of the Japanese Government with regard to the points (a) and (b), namely, "Is Japan's economic policy to be to adopt an entirely closed economy", et cetera, and "Once the hostilities in China have been terminated, actually to what extent will there remain measures of an exclusive nature in the economic field". Naturally, the sooner there develop manifestations of implementation of the Japanese Government's declarations that existing restrictions are tem-

porary in character the more pleased will be the Government of the United States.

With reference to caption B of the final paragraph of the Foreign Minister's memorandum of June 12, which raises the question of aid to Chiang Kai-shek, the Government of the United States, entirely apart from the fact that it recognizes the National Government now at Chungking as the Government of China, desires in complete candor to express the opinion that there would appear to be no prospect of ensuring a united government of China except through recognition of a leadership which enjoys the genuine support of the great majority of the Chinese people.

With reference to the suggestions contained in caption C of the Foreign Minister's memorandum of June 12, we have noted the expressed desire that Japan and the United States act in concert to contribute to the peace of the world. We have also noted the ideal expressed by the Foreign Minister in his radio address of June 29 that Japan constitute a stabilizing force in Eastern Asia. The Government of the United States would of course view with sympathy policies and procedures which by peaceful means and with due regard for the rights and interests of all powers and peoples concerned give order, justice, and stability in any region of the world. Such policies and procedures leave each state in any area fully independent and free to seek with other countries throughout the world normal commercial and other healthy relations. Such policies and procedures are antithetical to policies and procedures directed toward securing by force political or economic domination for one country in any area.

2. The approach and argumentation suggested in this telegram revolve primarily around the idea that from an economic and commercial point of view Japan's best interests lie along the lines of the economic policies in which this Government believes. The fact that in this telegram there is emphasized this particular factor should not be taken to mean that the Department would not approve of your using in your discussion the argumentation on other factors contained in previous telegrams. It is our view that at this point clarification by the Japanese Government of its attitude toward future commercial policy would, if evidencing compatibility with our views, tend to contribute to more rapid progress in your conversations. It is obvious that once outstanding differences on broad and fundamental questions have been settled, details would tend to fall into place and possibly in some instances need for discussion of them would be obviated.

3. In connection with the comment upon the possibility of there being reached an understanding with the Japanese Government in reference to maintenance of the *status quo* in regard to the possessions and territories in the Pacific area of belligerent European powers, I

desire that you keep specially in mind paragraph 3 of my telegram 215, June 22, noon.⁵

4. Additional comment for general background purposes and possible use in your discretion is offered as follows: It seems to us that Japan must soon make decisions on two fundamental questions. The first question is whether Japan will pursue a policy and a course based upon an endeavor to exploit and secure for her own uses the resources and trade of territories which are at present impoverished, where standards of living are low, and where productive capacity is limited, or whether Japan will choose to follow a course based upon cooperation with other similarly minded countries toward utilizing all available resources of capital, technical skills and progressive economic leadership for the purpose of building up their own economy and the economy of undeveloped and more primitive areas. Viewed in the light of history, pursuit of the first mentioned course can bring about no substantial and permanent benefit to any country. Whatever benefits may accrue would be of only a temporary nature. Pursuit of the second mentioned course would increase many fold purchasing power of peoples, would raise standards of living, and would bring about advantages of a lasting character.

The second fundamental choice which it seems to us Japan must make is related to the first and is whether Japan will choose to affiliate itself with countries committed to the doctrine of acquisition by force of territory. Decision on Japan's part to follow such a course would not in our opinion result in permanent advantage to Japan. By following such a policy it might be possible of course to denude occupied territories of existing forms of natural and other wealth, but once this wealth has thus been gathered there would be no substantial basis on which to build for future economic well-being and progress. Moreover, pursuit of such a course would tend to rule out prospect of cooperating with other nations in a broad program of progressive, economic and social development wherein there would be enlisted the capital resources and technical skills of the various countries concerned.

5. In the various telegrams which we have sent you in regard to your current conversations with the Minister for Foreign Affairs we have endeavored to indicate to you in broad outline the procedure and the substance of the presentation which in our judgment has seemed best designed to further the end in view. The carrying out of each instruction has been subject to your discretion and possible comment. I wish to emphasize my desire to have at every stage of the conversations the benefit of any views which you may wish to offer in regard

⁵ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 86.

to the Department's instructions and the benefit of your judgment in regard to rejoinders that may in your opinion best be made to views and arguments presented from time to time by the Minister for Foreign Affairs.

HULL

893.0146/805 : Telegram

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

LONDON, July 5, 1940—1 p. m.
[Received July 5—9: 18 a. m.]

1987. The Foreign Office has informed me in strict confidence that the British reply to recent Japanese demands on this Government with which the Department is fully familiar is very nearly complete and will be cabled to Tokyo possibly today and certainly before the week is out. The three principal Japanese demands are (1) withdrawal of British troops at Shanghai, Tientsin and Peiping; (2) regarding Hong Kong and (3) British supplies going through Burma to the Chiang Kai Shek government. Subject to last minute changes the replies to these demands will be along the following lines:

1. The British will agree to withdraw their troops at Shanghai, Tientsin and Peiping on condition that the Italian troops are withdrawn and on the assumption that Japan will offer protection of British interests, lives and property, in the area where Japan exercises authority. The British will ask an assurance that Japan does not seek to alter the status and administration of the International Settlement except at Shanghai in consultation with the other parties concerned.

2. Reply to Japanese demands regarding Hong Kong states in general that Japanese requirements seem already to have been met by measures the British Government has taken.

3. Reply to Japanese demand for complete cessation of supplies into China across the Burma frontier seems in effect to be a complete refusal. According to a Foreign Office official, the proposed reply will be in the following sense:

It will be pointed out that the amount of these supplies in any case is not great and that the figures lend no support to the view that this traffic assures any very material contribution to the armed strength of China; war material of United Kingdom origin passing along this route is insignificant and it is a legitimate trade route which greatly contributes to the welfare of Burma and India. From the angle of neutrality China might demand that all British supplies to Japan be cut off if the British cut off the supplies to China by the Burma route. It is not of course the British Government's intention to cut off the present supplies going to Japan. Therefore it cannot reasonably be expected that the supplies going along the Burma route to China should be stopped. The British Government does not

share the view that closing of the Burma frontier is essential to terminate hostilities. This is not to say however that the British Government does not desire the hostilities between China and Japan to be terminated and Great Britain will be ready to make her due contribution to restoration in the Far East of normal conditions which are in the interest of everybody.

KENNEDY

711.94/1558 : Telegram

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

CHUNGKING, July 6, 1940—9 a. m.

[Received 9:50 a. m.]

322. Department's 112, July 2, 5 p. m.⁶ The Counselor called on Vice Minister Hsu Mo today and referring to newspaper items that have asserted that American policy in the Far East had been altered because of developments in Europe he stated that the Department would like to inform the Minister for Foreign Affairs that such reports were untrue. The Vice Minister said the Chinese Government would be very much gratified by this statement and added that through all the difficulties that began in 1931 the Government and people of China had felt that they could place entire confidence in the continuity of American policy which confidence they could feel in regard to no other nation. Informant said that his Government earnestly hoped that events in Europe would not cause any lessening of the interest of the United States in a just settlement of international disputes in the Far East and that Chinese Government believed that by contributing to such a settlement the American Government would powerfully assist in the termination of aggression elsewhere.

Replying to specific questions, the Vice Minister said that through the Chinese Ambassador in London the Chinese Government had repeatedly urged on the British Government its duty under international law and its various undertakings to China to refuse acquiescence in Japan's demand for cessation of traffic through Hong Kong and Burma and that Under Secretary Butler had replied that British policy in such matters had not changed. He said China had protested to the French Ambassador against French yielding to Japanese demands with regard to traffic through Indochina but reports had been received that a section of the railway in French territory had been cut and that the Japanese inspectors of traffic had arrived fully armed in numerous military and civilian planes and were comporting themselves arrogantly without any restraint from

⁶ Not printed.

the French authorities. He thought that the Japanese were also inciting rebellion among the natives and that serious trouble was brewing. Little if any assistance could be hoped for from the French. If the Japanese actually sent troops into Indochina, China would do so likewise but China was not undertaking any counteraction among the natives since they were regarded as having little importance in the struggle between China and Japan.

Sent to the Department. Repeated to Peiping, Canton.

JOHNSON

710.11/2525a : Telegram

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

WASHINGTON, July 7, 1940—3 p. m.

247. Today's press features a statement made by Mr. Stephen T. Early⁷ on behalf of the President in regard to a "Monroe Doctrine" for European and Asiatic continents. Excerpts from the *New York Times* article under date July 6 are as follows:

"President Roosevelt suggested today that Europe and Asia each apply the principles of the Monroe Doctrine to its own territories. Under these principles all of the European and Asiatic nations would confer and 'make the decision—not just one conquering power. Let all of them settle their disputes in Asia and Europe and let all the Americas settle the question of disposition, administration and supervision of such islands or other territorial possessions which belonged to nations conquered by Germany and which lie properly within this hemisphere.' . . .⁸ said Stephen T. Early. But he (the President) withdrew nothing from his statement (of) yesterday that freedom of cultural and commercial intercourse between nations was necessary for enduring world peace. . . .⁸ 'There is an absence of any intention on the part of this Government', said Mr Early, 'to interfere in any territorial problems in Europe or Asia. This Government would like to see and thinks there should be applied "a Monroe Doctrine" for each of those continents. The United States is not out to gain any new territorial possessions'."

2. The President's statement does not imply any lessening of the interest of this Government in Far Eastern problems or in the resolving of international problems by peaceful processes on the basis of mutual consultation and negotiation. The principal point of the President's statement is that of the nonacquisition of territory by force. The statement is not in any wise inconsistent with a fundamental feature of the Monroe Doctrine of noninterference with existing colonies and possessions in this hemisphere of European countries.

⁷ Secretary to President Roosevelt.

⁸ Omission indicated in the original telegram.

Implicit in the President's conception is not only the principles of nonacquisition by force and of settlement of territorial problems by mutual consultation but of freedom, equality, and fairness of commercial and cultural intercourse among nations.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

HULL

711.94/1560: Telegram

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

Tokyo, July 8, 1940—11 a. m.

[Received July 8—8:45 a. m.]

546. Department's 240, July 3, 6 p. m.

1. Through believed-to-be entirely trustworthy intermediary, reply has been communicated to Mr. X along lines suggested by Department. The latter expressed views as follows:

2. To undertake the proposed visit to the United States on his own initiative would render success impossible. The army and the Foreign Office would resent such a proposal as coming from him. The initiative must come in some form from the United States.

3. His recent visit to Germany developed in the following manner. In a conversation with the German Minister to Manchukuo, the Minister asked him if he could use his influence to expedite shipments of soya beans to Germany. Mr. X replied that he would be glad to do so provided that the Minister would expedite shipments of machinery from Germany to Manchukuo. This led to discussions from which emerged a suggestion to Mr. X on the part of the German Minister in Hsinking, approved by German Ambassador in Tokyo, that it would be well for Mr. X to discuss these problems directly with the German industrialists involved. With this suggestion he was able to make all arrangements with his own Government.

4. Mr. X repeats his firm conviction that it would be possible with one bold stroke to bring about a settlement of current difficulties between the United States and Japan, involving a perfectly free China, which would be satisfactory to the American Government and people. He states that he is not at all interested in acquiring personal credit or reputation for the settlement of political matters but that he is the only Japanese industrialist who happens to possess the intimate connections and peculiar influence that could bring the army into line at this juncture. Neither Matsui nor Mitsubishi could accomplish this nor could the Foreign Office persuade the army to accept a reasonable settlement.

5. What Mr. X visualizes is a very large credit to extend over a period of years to be used for the purchase from the United States

of machinery for manufacturing, road making and mining, bridges, railroad rolling stock, steel and various other materials. He points out the important effect which such orders would exert on the economic life of the United States.

6. Mr. X believes that this may be the last opportunity to do anything effective and admits foregoing lines because Japan is at present teetering between alignment with the democratic and the totalitarian powers and if an alignment with the Axis Powers develops such an opportunity will not recur. The army needs and wants to find a way out from the China imbroglio. And economic arrangement with the United States on broad lines would in his opinion tip the scales toward the democracies and would lead in due course to a complete settlement of all outstanding difficulties with the United States.

7. My comments on the foregoing views are as follows. Mr. X paints on a large canvas with broad and sweeping strokes. He chafes at official procedure and feels that the Japanese Government—as represented in external relations by the Foreign Office is powerless to cut the Gordian knots of the China warfare and the deterioration of relations with America. He appraises in high degree his own influence with the army and his ability to cut those knots through a sweeping and sensational economic and financial gesture which would break through the present impasse. It is impossible to estimate to what extent his apparently genuine conviction in that respect is justified but if it were quietly made known to military leaders that he had been encouraged to come to the United States to discuss economic and financial problems, even without any commitment, it is conceivable that a pause might thereby be given to whatever extremist plans are now under consideration. Judging from his statements to intermediary, it does not now appear that Mr. X will visit the United States without such specific encouragement.

GREW

710.11/2535

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 8, 1940.

The British Ambassador called at his own request and inquired about the meaning of the Monroe Doctrine statement put out at Hyde Park on Sunday morning.⁹ I replied that it was not intended to be a statement of policy; that my statement given to the press a day or two before¹⁰ was intended to be a statement of policy.

C[ORDELL] H[ULL]

⁹ See Department's telegram No. 247, July 7, 3 p. m., p. 389.

¹⁰ Statement of July 5, Department of State *Bulletin*, July 6, 1940, p. 3.

793.94/16015 : Telegram

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

CHUNGKING, July 8, 1940—noon.

[Received 7: 25 p. m.]

326. Following is the text in English as released by the Central News Agency of a message said to have been issued by General Chiang Kai-shek to friendly powers on the third anniversary of the Lukou-chiao incident:¹¹

[“]Today is the third anniversary of the day on which China began to resist the military aggression of Japan. I desire on this occasion to give friendly nations a terse account of the light in which the Sino-Japanese war and the world situation are viewed by the Chinese Government and people.

1. From the very beginning of resistance we have heard that the scope of our cause is not limited only to a defense of China's existence and independence; it also comprehends a service of the greatest value to future world order and human prosperity. The recent great changes in the European situation have fully proved the complete accuracy of this belief of ours. The Japanese militarists have long entertained an ambition of world conquest, and their attack on China is but the first step of their whole scheme of aggression. Had China not fought for the past 3 years Japan would early have taken advantage of the opportunity to be found in the European war by directly attacking friendly nations' territory and rights on the shores of the Pacific. As things are, however, China, notwithstanding her original deficiencies in point of military equipment, has by virtue of her people's united spirit of resolution and sacrifice, brought Japan in 3 years near the point of exhaustion and collapse. In continuing with China's stout resistance Japan has been steadily drained of her military and economic strength, while the fighting morale of both her peoples and army has seen an even more acute decline. The result is that Japan has by now lost the power to act as an arbiter of Pacific affairs, and all her schemes of conquest and monopoly have become unrealizable. We may congratulate ourselves upon this fact which is no less satisfactory to friendly nations than to us.

2. Resistance having achieved the effects I have just described, the confidence of our whole nation in the future of the war is ever mounting. During the past year, such have been the reverses suffered by the armed forces of the Japanese militarists that they have turned to political devices, hoping by the employment of puppets to shatter the unity of our people. Since the revelation of the so-called 'outline of provisions for the readjustment of relations between China and Japan' or private compact concluded by Wang Ching Wei with the enemy on December 30 of last year, the merest child among us has become aware of the shameless treachery and hypocrisy of the Japanese motives. The unanimous solidarity of the Chinese nation has grown only the stronger and its detestation of that treachery and hypocrisy only the more vigorous. This is apparent to all observers

¹¹ Text transmitted to the Department by the Chinese Embassy on July 19.

both Chinese and foreign. No threats or tricks from Japanese quarters can now disturb the course of this crusade-like struggle for our national independence and world justice. Until the enemy have entirely cast off their aggressive policy and withdrawn their forces from our soil, resistance will never halt. This I feel in a position solemnly to reiterate on behalf of my Government and people, in this present message to citizens of friendly nations.

3. The sympathy and aid extended to China by friendly nations during the past 3 years have impressed upon our people a sense of obligation they will never lose. In this respect [I] have two points I wish frankly to put before my readers.

The first is: Militarily and economically Japan is already plunged deep into a quagmire from which she cannot struggle free. The Japan of today is quite powerless to make war on any third nation. The threats she has recently offered the Dutch East Indies, Indochina and Burma are nothing but bullying and baseless words aimed at the gaining of her predatory and opportunist ends without resort to war. Yet the powers meet such threats with discernment and stern resolution, while they collaborate in devising efficacious means of checking any encroachment. They will thus be discharging a moral and legal responsibility towards China and the Far East from which nothing can absolve them. It is the imperative duty of all friendly nations thus to defend the future order of the world. At the outbreak of the Mukden incident there were some among the governments of friendly nations that were hesitant and disconcerted, which inaction has resulted in the present state of disorder prevailing in the world. If friendly nations now treat the Japanese threats to Indochina, Burma and the Dutch East Indies with the same indifference or tolerance, the outcome will prove unthinkably grave. China, for her part, will not hesitate to oppose with force any future aggressive acts of the Japanese in Indochina or other Asiatic areas, both with a view to her own security and in pursuance of her consistent policy of working against aggression. For, in fact, all Japan's moves have for the present as their central and governing motive the destruction of our country's existence and independence.

Again, despite the war in Europe, Soviet Russia and the United States have not as yet been involved and they are therefore fully at liberty to exert themselves in China's favor and in opposition to Japan. Such action constitutes, I believe, not only the bounden duty but also the responsibility of right of those two countries. Japan is peculiarly dependent upon America for the supply of her military and economic needs. This is a fact universally known. The recent enactment of embargo legislation by the United States Congress¹² was an indication of the popular demand for economic sanctions against Japan. If America and Soviet Russia can speedily take adequate steps to provide China with material assistance, there would be little doubt of an early clarification and stabilization of Pacific affairs such as would not by any means benefit China alone.

¹² An act to expedite the strengthening of the national defense, approved July 2, 1940; 54 Stat. 712, 714. See also *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 211 ff.

4. Finally, in regard to possible future developments in the world situation, we have one observation on recent occurrences clearly and emphatically to make. It is this. For the success of future efforts for world peace it is essential to change self-sufficient and short-sighted habits of mind in favor of the notion of collaboration between all peace-loving nations towards the creation of a strong international organization built into an effective system of collective security. The last 2 months of experience gained from the European war lead us to think that without effective organization of collective security among the nations of the world, not only the small and weak ones, but then the large and strong, lack any guarantee for their safe existence. This lesson we ought to take to heart and never forget. We ought to exploit every suitable opportunity for realizing this ideal. In making this appeal, I am speaking for the 450 million Chinese people, who wish to strive in company with the citizens of all friendly nations towards this goal, for the establishment of permanent peace in the world and the increase of the prosperity of all mankind."

Sent to Department. Repeated to Peiping, Shanghai. Shanghai please mail to Tokyo.

JOHNSON

710.11/2525a Supplemental: Telegram

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

WASHINGTON, July 8, 1940—6 p. m.

248. Reference Department's 247, July 7, 3 p. m. On July 7 the President supplemented the statement described in the telegram under reference. According to a despatch in the *Washington Post* under date July 7 "Today Stephen T. Early, Presidential Secretary, told reporters the President wished to emphasize 'the difference between Monroe Doctrines under the name only and the true Monroe Doctrine as we know it and have it.' 'There hasn't been any sign or evidence of a real or true Monroe Doctrine in other hemispheres than our own yet,' Early said."

At the press conference on July 8, a correspondent remarked that press despatches describe the Chinese Government as stunned by Mr. Early's statement of July 6 in regard to the proposal for settlement by Asiatics of the disposition of European colonies in Asia and that this statement has been interpreted as a suggestion that the Chinese, Japanese and other Far Eastern peoples dispose of the Netherlands Indies, and asked whether the Secretary could clarify the statement in any way. The Secretary replied that according to his understanding the general statement made and given to the press at Hyde Park was not intended to define policy, either new policy or modification of existing policy. The Secretary expressed the thought that the

statement which he had put out as a public statement (on July 5) and which was an agreed upon official utterance, does contain a statement of policy as we undertake to practice it.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.
HULL

710.11/2553

Memorandum by the Assistant Secretary of State (Berle) of a Conversation With the Japanese Ambassador (Horinouchi)

[WASHINGTON,] July 9, 1940.

The Japanese Ambassador called today, at his request.

He brought up the interview given by Mr. Early to the newspapers. He said this somewhat confused him, because it was thought that there was a discrepancy between the President's statement and the statement of the Secretary of State on the Monroe Doctrine.

I said that there was no discrepancy in fact, though I did not undertake to say that some of the newspaper commentators might not have erected one. On the contrary, the President had taken occasion to say that he stood wholeheartedly behind the Secretary's point of view.

I said that Secretary Early's statements, taken out of their context, might create the impression of discrepancy, but that there was none, in fact.

A. A. BERLE, JR.

793.94119/649: Telegram

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

Tokyo, July 9, 1940—7 p. m.

[Received July 9—6 p. m.]

556. The following is a paraphrase of a telegram sent July 8 to London by the British Ambassador:

Minister for Foreign Affairs was clearly very interested in last part of your communication relating to measures to be taken to bring about cessation of hostilities in China. At first he took the line that so unpopular in Japan were Great Britain and the United States owing to their prolonged assistance to Chiang Kai Shek that no offer of good offices from either quarter was likely to prove palatable to Japan. After a time, however, he said that matters would be different if either Government would be prepared to exert pressure at Chungking to enter into peace discussions. I replied that the first thing was obviously to ascertain something of the terms on which Japan was prepared to make peace. If those terms were entirely reasonable, I could [not?] conceive of "pressure". Mr. Arita, however, insisted on the word pressure. Finally after some thought he suggested that the British and United States Governments might perhaps consider in-

viting General Chiang Kai Shek to appoint plenipotentiaries to enter into discussions with Japanese at some secret place to be agreed upon for purpose of arranging a truce and instituting peace negotiations. On my saying that first thing Chiang Kai Shek would want to know would be basis on which discussions were to be opened, Mr. Arita replied: "The Konoye statement by which the Japanese Government stands in full." On my suggesting that consideration of this problem might be facilitated if His Excellency were in a position to interpret to me certain rather nebulous phrases in that statement, Mr. Arita replied that he thought that was a matter which had best be left for discussion between the Japanese and Chinese representatives.

I promised to inform Your Excellency of His Excellency's proposal.

GREW

710.11/2540: Telegram

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

CHUNGKING, July 11, 1940—10 a. m.

[Received 2:30 p. m.]

332. Department's 247, July 7, 3 p. m. and 248, July 8, 6 p. m. to Tokyo. Considerable excitement was aroused in Chinese Government circles by press reports of remarks attributed to the President by Secretary Early concerning territorial settlements in Europe and Asia and I asked Counselor Peck to bring paragraph 2 of the Department's telegram information to the attention of the Minister for Foreign Affairs on July 10. Dr. Wang expressed great appreciation of this action, saying that he had already despatched two telegrams to the Chinese Ambassador in Washington asking for textual confirmation and explanation of certain of these observations. He was gratified at the assurance that there had been intended no implication of lessening of the interest of the American Government in Far Eastern problems and he asked that if I were willing I convey his suggestion and hope that the American Government would take an early opportunity to emphasize that it regards the Nine-Power Treaty¹³ which involves many nations in common concern in these problems as still in force. He inquired incidentally whether the Four-Power Treaty of 1922¹⁴ did not impose on Great Britain, France, and Japan the obligation of mutual respect for their respective territorial possessions in the Pacific and whether Indochina were not included among those possessions.

Sent to the Department. Repeated to Peiping.

JOHNSON

¹³ Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

¹⁴ Signed at Washington, December 13, 1921, *ibid.*, p. 33.

711.94/1560 : Telegram

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

WASHINGTON, July 11, 1940—5 p. m.

259. Your 546, July 8, 11 a. m.

1. The Department authorizes you in your discretion to communicate to Mr. X either in writing—we suggest a memorandum—or orally a message, closely paraphrased, along lines substantially as follows:¹⁵

“I have informed my Government from time to time of views expressed by you to me on the subject of Japanese-American relations. My reports of your views have been studied by my Government with interest and my Government notes with appreciation your desire to contribute to the promotion of cooperation between Japan and the United States.

In view of your belief in the possibility of effecting a settlement of the Far Eastern situation which would be fair and satisfactory to all concerned and of your belief that a useful purpose might be served by your making a trip to the United States to lay your views in person before appropriate officials of the American Government, perhaps you would care, consistently with that belief, to consider the making at this time of such a trip. I feel that I can assure you that in the event that you should decide to undertake such a trip American officials will be glad to discuss with you such problems as have been the subject of our conversations here. You will of course realize that it would be impossible for me in advance of fuller information to offer an opinion on what would be the reaction of my Government to any suggestions which you might make, and that accordingly my having expressed myself in this manner to you does not imply any commitment either on my part or on the part of my Government with regard to the attitude which the American Government would adopt toward the suggestions.”

2. Should Mr. X decide to make the trip the Department desires that you enjoin upon him the desirability of minimizing publicity, especially in regard to the fact of your having given him a message as above outlined. It is suggested that it would be desirable also for you to point out to Mr. X that he should not expect to be received in this country with official entertainment or special official or semi-official attention, for which there is little provision in our democratic practices, and that he should also make due allowances for the current preoccupation in this country with the domestic political situation and problems of national security.

HULL

¹⁵ In his telegram No. 573, July 13, 11 a. m., Ambassador Grew informed the Department that a memorandum had been handed by an intermediary to Mr. X (711.94/1574).

711.94/1569-1573: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*¹⁶

Тоkyo, July 11, 1940—6 p. m.
[Received July 11—3:06 p. m.]

559-563. Department's 243, July 4, 3 p. m., paragraph numbered 5; and my 558, July 11, 4 p. m.¹⁷ The Department's presentation of policy and opinion in your 243 and previous pertinent instructions have seemed to me to be irrefutably sound and to call for no counter-comment from the Embassy. I, nevertheless, respectfully submit the following thoughts for soliciting [*your?*] consideration in formulating future considerations [*policy?*].

The opportunity for effecting modification of Japanese policy by discussion between the Foreign Minister and myself of principles, however satisfactorily the soundness of our position can be demonstrated, has been prejudiced by the rapidity with which Germany has conquered France and has put Great Britain in a position of great peril. In the present juncture of world developments in general and of the Far Eastern situation in particular, where the temptation to seize a golden opportunity is being encouraged in every possible way by the Axis Powers, and when our relations with Japan are [not?] amicably adjusted, discussion by way of argument and rejoinder of principles of foreign policy cannot be expected of itself alone to exert concrete effect on Japanese policy.

As I have had occasion to point out in previous reports, Japan is at present teetering on the verge of a policy of *rapprochement* with the Axis Powers. We believe that the present government is resisting the steadily increasing urge of public opinion, particularly military opinion, to emulate in East Asia the Nazi procedure in Europe. Whether that resistance can successfully continue or whether in one way or another the pro-Axis elements will win the day we cannot now predict with any certainty but we can at least say with assurance that the prolonged life of the present Cabinet is highly doubtful and no assurance can be given with regard to the probable policy that would be followed in the event of and after its fall.

2. My hope in initiating the current conversations was that they might at least serve to keep the door open between the two governments and that they might lead in due course to some specific step or steps which would break the impasse in our mutual relations. The respective attitudes of the United States and of Japan having become

¹⁶ The five sections of this message, transmitted as telegrams Nos. 559-563, are printed as one document.

¹⁷ Latter not printed; for memorandum and oral statements of July 11, see *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 94, 95, and 99.

deadlocked, my discussions with Mr. Arita with regard to the adjustment of our mutual relations have become a vicious circle.

Our position in general terms is that improvement in American-Japanese relations cannot be expected until Japan abandons the use of force as an instrument of national policy, respects her treaty commitments and ceases interference with American rights and interests. Our position involves unwillingness to resume commercial treaty relations with Japan until the foregoing obstacles are removed. The Japanese counter by insisting that the foregoing obstacles cannot in general be removed until the hostilities in China are terminated and that the absence of commercial treaty relations between our two countries constitutes in itself an important obstacle to improved relations. They further insist that while the termination of the hostilities in China will automatically bring about removal of the foregoing obstacles a preferred position in China calculated to strengthen Japan's economic and military strategic position will be retained.

3. Taking into consideration the foregoing elements in the situation, it would appear that the only way which contains some possibility of stemming the pro-Axis tide in Japan would be indication by the United States of its readiness to take initiative simultaneously with the taking of initiative by Japan toward an improvement in Japanese-American relations.

4. The present position is in effect that the requirement by the United States that Japan restore the *status quo ante* is met by the Japanese with the contention that the United States by terminating the commercial treaty with Japan has also contributed toward alteration of the situation. At a time like the present when positive inducements are being offered Japan by the Axis powers we cannot, I believe, expect Japan to restore the *status quo ante* without some parallel action by the United States.

5. I therefore submit once again the thoughts expressed on pages 10 and 11 of my despatch 4359 of December 1, 1939²⁸ with regard to instituting negotiations for a *modus vivendi* and new treaty with Japan. The announcement that we are prepared to institute such negotiations would at this juncture and under present conditions be interpreted by the Japanese press and public as a weakening owing to force of circumstances of the position hitherto maintained by the United States and an acknowledgment that we feel no longer disposed to maintain that position.

(I, however, emphasize the thought above expressed that the suggested action of the United States would not be unilateral in character, but associated with and parallel to the taking of Japanese

²⁸ *Foreign Relations*, 1939, vol. III, p. 604.

initiative toward meeting our position.) On the other hand such an announcement would unquestionably afford important support to those members of the government and other influential Japanese who counted best interests of their country as dependent upon good relations, especially good commercial relations, with the United States. Such support at this official juncture might well turn the tide which according to present trends will in all probability (in the absence of counter inducements) flow toward the totalitarian camp with increasing momentum.

6. I do not advocate a surrender of principle. The negotiation of a *modus vivendi* either concurrently with or looking eventually toward the initiation of negotiations for a new treaty with Japan would bring us back toward the *status quo ante* before the treaty of 1911 was abrogated with such modifications as would tend to meet a modified situation.

GREW

710.11/2543 : Telegram

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

TOKYO, July 11, 1940.

[Received July 16—6:40 a. m.]

564. Following is text of unofficial remarks of Foreign Office spokesman commenting on the President's recent statement concerning the Monroe Doctrine:

"Regardless of whether or not President Roosevelt's statement on the Monroe Doctrine constitutes a new definition and modification of that doctrine the fact cannot be disputed that the attitude taken by the President and the Secretary of State of the United States on the question shows that the United States Government has converted the primarily passive and defense character of the Monroe Doctrine to a positive one.

Hitherto the Monroe Doctrine has been applied to prevent the extension of the European system of government to the Americas as well as to forestall aggression of outside powers on the Western Hemisphere. Now it is claimed that 'the United States very sincerely believes and maintains the position that the administration or ultimate disposition of such islands and territorial possessions should be and is properly a question to be decided by and among all of the republics of the American Hemisphere.'

If this is the real attitude of the United States, it naturally coincides with the idea of regional structure which has recently been suggested by Mr. Arita, the Foreign Minister. In fact President Roosevelt declared that 'the United States Government wants to see and thinks there should be application of a Monroe Doctrine in Europe and Asia similar to the interpretation and application of those principles in this hemisphere.'

Here we cannot help feeling that Mr. Hull discussed 'the' Monroe Doctrine while Mr. Roosevelt dwelt upon 'a' Monroe Doctrine applicable to all geographical areas including the Americas. This we wish to take note of with special interest."

The press in commenting on Mr. Suma's remarks took the view that the President had meant in his statement that the United States recognized that the disposition of territories in Asia was to be solved by Asiatic nations and such territory included not only French Indochina and the Dutch East Indies but all territory within the Asiatic sphere.

Sent Department via Shanghai. Shanghai please repeat to Peiping, Chungking.

GREW

711.94/1573 : Telegram

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

WASHINGTON, July 12, 1940—5 p. m.

263. Your 563, July 11, 9 p. m., and previous.¹⁹ We are giving careful study to your comments and suggestions in regard to the problems presented by the present situation in American-Japanese relations. In connection with this study we should like to have as soon as possible an elaboration of what you have in mind in regard to (a) the taking by Japan simultaneously of an initiative, referred to in numbered paragraph 3 of your 561, and (b) such modifications as would tend to meet a modified situation, the concluding words of your 563.

HULL

711.94/1575 : Telegram

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

TOKYO, July 14, 1940—7 p. m.
[Received July 14—1:55 p. m.]

579. Department's 263, July 12, 5 p. m.

1. With regard to (a): As we are not in a position to know precisely the extent to which action could be taken by the United States conformably with American policy and the extent to which action would have to be taken *pari passu* by Japan, we have not attempted to formulate any plan of a specific character. What we had in mind in referring to the taking of initiative by Japan was the removing of the obstacles to peace outlined in my 227, April 2, 9 p. m., paragraph 4, subparagraph (b).

¹⁹ See footnote 16, p. 398.

2. With regard to the second point (item *b*) of the Department's 263: We merely had in mind certain conditions affecting trade between the United States and Japan which exist today but which did not exist when the commercial treaty of 1911 was concluded. For example, the setting up by Japan of import and export trade control, exchange control and other measures which impede trade, is out of line with the liberal trade and exchange policies of the United States and would obviously have to be taken cognizance of in any *modus vivendi* (and eventually any commercial treaty) that might be arranged with Japan. (Please see in this connection item (*a*) of paragraph numbered 1 of our 365, July 27, 1939.²¹)

GREW

793.94119/651a : Telegram

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

WASHINGTON, July 15, 1940—8 p. m.

269. At the press conference on July 15 a correspondent asked whether this Government had been informed of the news that the British are working actively for settlement of the Sino-Japanese conflict. The Secretary replied that we continue to pursue our policy of following our own, separate, independent course with respect to the situation in the Far East and added that, in order to know more fully what the British are doing, the correspondent would want to speak to the British themselves.

HULL

793.94119/653 : Telegram

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

NANKING, July 18, 1940—2 p. m.

[Received July 18—10:20 a. m.]

74. 1. During the course of a conversation yesterday with Mr. Hidaka, Counselor of Embassy and principal negotiator for General Abe in the Japanese-Wang negotiations, the following information was elicited.

2. Hidaka stated that the treaty being negotiated would set forth certain general principles based on the Konoye statement and intimated that the Japanese were endeavoring to formulate and word them with a view to possible future developments. He stated that

²¹ *Foreign Relations*, 1939, vol. III, p. 560.

the negotiations were proceeding "smoothly" but would not be concluded for another month or two. He confirmed that the signing of the treaty would mean formal recognition of the Wang regime but appeared to doubt whether the first ambassador to the "National Government" would be General Abe who, he said, was anxious to return to Japan "as soon as possible". He also said he did not think the present Japanese Cabinet crisis would affect the present negotiations.

3. As regards the actual status of the Wang regime following the conclusion of the treaty, Hidaka stated that it would enjoy full sovereignty and independence. However, in reply to a question concerning the return of communications to, and the exercise of economic powers by the Nanking regime, he indicated that this would be gradual rather than immediate and would be contingent upon military necessity. He mentioned the question of the withdrawal of Japanese troops from China and said that "even if the Japanese should declare their intention to withdraw their troops, military necessity would in all probability preclude implementing this promise for a year or more." When asked whether the Japanese intended to issue such a declaration he replied "I do not think so." He stressed that much patience and confidence was essential on the part of both the Japanese and the Wang "government" and remarked that the latter must understand that "because of the present disturbed situation Japanese promises can only be implemented gradually." It appeared from these remarks that the signing of the treaty would result in little change in Japanese occupied territory in Central China and that the actual authority of the "National Government" would not be appreciably increased in either political or commercial matters but would continue to be restricted by the Japanese military.

4. Questioned regarding the effect of the new treaty upon third power rights and interests, Hidaka said that no immediate change need be anticipated. He said he did not think the existing pass system governing the movement of persons and merchandise would be abolished forthwith and intimated that the restrictions, with some modifications, would probably remain in force for some time to come and would continue to be imposed by the Japanese authorities in pursuance of the Japanese thesis of military necessity which is being conveniently applied not only to foreign rights and interests but also to relations with "the National Government".

Sent to the Department. Repeated to Chungking, Peiping and Shanghai. Code text by air mail to Tokyo.

893.00/14565 : Telegram

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

CHUNGKING, July 20, 1940—10 a. m.

[Received July 20—8:32 a. m.]

353. The Embassy is informed that, on July 18, Sun Fo²³ told an American correspondent that as a result of negotiations held during the past 2 weeks between Kuomintang negotiators (Chiang Kai-shek, Ho Ying-chin and Pai Chung-hsi) on the one side and Chinese Communist negotiators (Chou En-lai, Chen Po-ku and Yeh Chien-ying) on the other hand, an agreement has been reached settling major points of contention between the 2 groups. Although the precise terms of the settlement were not divulged to the correspondent, he was told by his informant that they included delimitation of the area of Communist control in central Shensi to 18 hsien as against an original Communist demand for 21 hsien; and a decision on the part of the National Government to recognize the existence of, and pay the usual military subsidy to, 6 or perhaps 7 Chinese Communist regular divisions rather than the 3 Communist divisions hitherto subsidized by the central authorities.

The informant stated that the Communists were successful in resisting a Kuomintang demand that the new 4th Route Army be transferred from Central China to Hopei, it appearing that the Kuomintang is anxious to eradicate Communist influence in Central China while the Communists are desirous of retaining their foothold there.

It would appear that the significance of the reported agreement, apart from fostering continuance of cooperation between the two groups, lies in the granting by the Kuomintang of concessions, albeit perhaps minor, to the Communists—a measure that the Kuomintang has hitherto been reluctant to adopt. It seems reasonable to conclude that external developments which apparently tend to increase China's dependence on Soviet Russia for external assistance may have influenced the Kuomintang to adopt a policy of compromise with the Chinese Communists.

Sent to the Department. Repeated to Peiping. Peiping please mail code text to Tokyo.

JOHNSON

²³ Member of standing committee of the Kuomintang Central Executive Committee and President of Chinese Legislative Yuan.

711.94/1594 : Telegram

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

Tokyo, July 22, 1940—7 p. m.

[Received 9:20 p. m.]

609. Our 573, July 13, 11 a. m.²⁴ Intermediary had a conversation this morning with Mr. X who stated as follows:

When the Yonai Cabinet fell ²⁵ Mr. X was afraid it was too late to do anything because the Cabinet change was caused at least in part by increased pro-German tendencies. He felt he must act immediately so returned from Manchuria to Tokyo where he succeeded in laying his plans before the high officials including Prince Konoe ²⁶ and he feels he may have accomplished some good in so doing.

He feels, however, that it would be inadvisable for him to go to the United States now and that he must wait until the fundamental policies of the new Government have been ascertained. He does not know what these will be but he thinks that Prince Konoe will proceed slowly and with caution. Mr. X feels that it would be a mistake for him to oppose the popular trend now as this would tend to destroy his ultimate usefulness and that he must await a better opportunity.

He showed our memorandum to Mr. Matsuoka ²⁷ who stated that its value is destroyed by the indication that neither the American Ambassador nor the United States undertakes any responsibility [for] his visit.

Mr. X stated in reply to a question from intermediary that it might be possible for him to go to the United States later but that he must first watch the future trend of American-Japanese relations and the basic policy of the Konoe Cabinet.

He concluded by suggesting that in the meantime an effort be made to prepare for more positive action, i. e., that should another opportunity develop he be given a more positive and less lukewarm invitation.

I feel that no comment on my part is necessary.

Intermediary is reliably informed that Mr. X was invited to join the new Cabinet and refused.

GREW

711.94/1595 : Telegram

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

Tokyo, July 22, 1940—8 p. m.

[Received July 22—7:50 p. m.]

610. In a despatch from Osaka dated July 18 Allison ²⁸ concludes with the following:

²⁴ See footnote 15, p. 397.

²⁵ July 16; see also pp. 957 ff.

²⁶ Prince Fumimaru Konoye became Prime Minister July 22.

²⁷ Yosuke Matsuoka became Japanese Minister for Foreign Affairs July 22.

²⁸ John M. Allison, Consul at Osaka.

"Whether the conditions will continue to become more serious cannot be said but it can be said with conviction that at no time in the past year and a half . . .³⁰ has the local feeling been so pessimistic with regard to the possible future course of Japanese-American relations."

In the body of the despatch he states that in conversations with representative Japanese and American business and professional men the possibility of war between America and Japan has been frankly mentioned as a possibility; that the Japanese people feel that the United States has shown itself so unfriendly to Japan that it might take "only one more step" to throw the two nations into armed conflict; that immediate and effective steps must be made to improve relations before it is too late.

The burden of the argument advanced by the Japanese in conversation appears to be that some generous gesture on the part of the United States is needed to show the Japanese people that America is really Japan's friend although there is appearing no indication of realization that Japan need make some concrete contribution toward maintaining this friendship. The suggestion is made that the existing deadlock might possibly be broken by direct conversation between the President and Prince Konoye although the difficulties of this are admittedly great.

The despatch states that Foreign Office is agitating for the forging of closer ties with the Axis, the prosecution of the southward advance policy and the abandonment of reliance upon Great Britain and the United States.

GREW

893.00/14566 : Telegram

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

CHUNGKING, July 24, 1940—10 a. m.

[Received August 7—12: 53 a. m. ³¹]

360. Reference last substantive paragraph my 353, July 20, 10 a. m., expressing the view that Kuomintang concessions to Chinese Communists may have been influenced by increasing Chinese dependence on Soviet Russia.

The repercussions on the Far East of the kaleidoscopic changes wrought in the European situation in the course of the past 2 months are now becoming more and more apparent. With the collapse of

³⁰ Omission indicated in the original telegram.

³¹ Date of receipt of one section of telegram which otherwise arrived on July 25, 9: 10 a. m.

French resistance in Europe, French influence in the Far East is virtually extinct and Indochina is now to all intents but a pawn in the game of power politics. Not only has British prestige suffered a heavy blow but British influence continues to wane in direct ratio to the concessions made to Japan. German prestige reentered and signs are not wanting that this phenomenon is influencing Japanese policy and may sooner or later affect Chinese policy.

Even at this time some Chinese leaders, apparently regarding German domination of Europe as virtually certain, advocate a strengthening of Sino-German ties in the belief that Hitler's policy will be to urge Japanese expansion in the South Seas at the expense of the democratic powers while he sees to it that China is encouraged to develop along Fascist lines as an independent state. The Russian position in the Far East remains unshaken and Russian policy apparently unchanged vis-à-vis China and Japan. The American attitude apparently continues firm but quiescent in the face of gradual Japanese encroachment. Japan seems to be moving toward a totalitarian form of Government in a supreme endeavor not only to conclude the "China incident" but to seize the "golden opportunity" to expand in the South Seas. China, notwithstanding the closing of her two major avenues to the importation of war materials and other vital supplies and feeling of inability to gain much comfort from a United States which is regarded as more concerned with European and Latin-American problems and which is on the eve of an important Presidential campaign, seems determined however great the odds to continue resistance against Japanese aggression (see statement of Chiang Kai-shek contained in Embassy's 349, July 17, 4 p. m.³²).

He apparently decided upon further resistance as preferable to the alternative of peace on Japanese terms. It seems only reasonable to expect that China, desperately in need of certain essential commodities for the prosecution of hostilities over a long period and of the opportunity to exchange growing stocks of exports for these essential commodities, must inevitably turn to the only exit still open to her, namely Soviet Russia. We may in the future therefore expect, barring, of course, a reversal in the trend of present day Russian Far Eastern policy—an unlikely contingency at least so long as Russia is free from threat in Europe—, a further cementing of increasingly close relations existing between China and Russia and perhaps a lessening of Chinese ties with the European democracies and even with the United States. Certain Kuomintang leaders such as Sun Fo, Feng Yu-hsiang and Shao Li-tzu have for some time advocated the cultivation of closer relations with the Soviet Union apparently in the belief that Russia in the final analysis was more

³² Not printed.

likely to become and remain a more staunch supporter of China's struggle against Japanese aggression than any third power. The Department is aware that Soviet Russia has already granted material aid to China in the form of credits (which still remain unexhausted), in the supply of munitions and airplanes and pilots, in the purchase of Chinese goods by way of barter arrangements, the supply of military advisers, et cetera.

It may be expected that in the future these activities will be intensified and efforts will be directed toward opening and expanding means of communications with Russia and the promotion of trade between the two countries. But, however well the means of communications are devolved [*developed?*] between China and Russia and however capable Russia is of furnishing supplies to China, it does not seem possible that the Russian route can replace the Indochina and Burma routes in respect of quantity, time and ease of shipment.

The [*As to?*] Chinese and Russian political relations, it is more difficult to predict future developments. One possibility exists, however, and that is that Russia, which has hitherto been very discreet in its attitude toward the Chinese Communists and their aspirations, may feel that the present is a propitious time for active intervention on their behalf. On the other hand the Russian Soviets may feel that adoption of such a policy might result in dissolution of the so-called "united front" and the collapse of Chinese resistance to Japan. Thus the situation is delicately [*balanced?*].

In any event it does not seem [*likely that?*] Japan and England and France who have hitherto perhaps for different reasons undertaken [*open?*]ly to portray the threat of a Sovietized China to the rest of the world can gain comfort from the thought that it is the actions of these countries more than anything else which may be forcing China into dependence upon and cooperation with Soviet Russia.

Sent to the Department, repeated to Peiping, air mail to Tokyo.

JOHNSON

711.94/1601 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 24, 1940—3 p. m.

[Received 7: 50 p. m.]

Reference my 657, July 19, 1 p. m.³³ The Japanese controlled press and Wang Ching Wei organs are continuing their inciting anti-American campaigns and also are carrying an increasing number of articles advocating the retrocession of the foreign areas in Shanghai. Japanese residents' associations and other Japanese organizations in

³³ *Post*, p. 753.

this Consular district also are disseminating anti-American propaganda. The Japanese Government undoubtedly could curb the dissemination [of] such propaganda if it endeavored to do so.

Sent to Department.

Repeated to Chungking, Peiping. By air mail to Tokyo.

BUTRICK

793.94/16082 : Telegram

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

CHUNGKING, July 27, 1940—10 a. m.

[Received 11:40 a. m.]

363. Two American newspaper correspondents in Chungking who are believed to be accurate observers and who are constantly in close touch with Chinese in official and private life have reported to the Embassy that since the closing of the Burma route to the shipment of certain commodities to China they have discerned a very marked increase both in public and private Chinese quarters of discussions and conversations in relation to the subject of peace and *rapprochement* with Japan. These informants assert they have knowledge that this topic has been discussed freely even by prominent Chinese officials and say the view is becoming rather general that hostilities will be concluded within the next six months and the capital moved back to Nanking.

The Embassy is inclined to concur in the view that the recent action of the British authorities concerning the Burma route which has perhaps affected the Chinese morale and the will to resist more adversely than any development since the fall of Hankow and Canton may have given rise to a certain amount of "peace talk" in Chungking. But the Embassy feels on basis of its investigation and consideration of the subject that this manifestation has sprung largely from unfounded rumor and baseless conjecture and that no great significance can be attached to it. In the past month the Embassy has on several occasions reported the determination of China and its leaders to continue resistance; and the Embassy adheres to the belief that this position has not been modified as a result of recent developments. In recent informal conversations high officials of the Foreign Office have expressed the view that "China must now fight on single handed", that Japan and especially the Japanese military are not willing to grant reasonable terms to China and that the Japanese may be expected in the near future to launch another large scale military offensive probably with Chungking as the final objective in a final desperate effort to crush Chinese military resistance. If this offensive were launched, China

would have no alternative but to fight on with all the resources at its command.

Sent to Department. Repeated to Peiping. Peiping, mail code text to Tokyo.

JOHNSON

711.94/1621a : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, July 31, 1940—6 p. m.

335. Wireless to the *New York Times* under Shanghai date line July 31 contains a statement that "it was reported that several of the Japanese agency offices in Shanghai late yesterday received cabled orders from the head offices in Tokyo to stress anti-American features in news items from China".

The Department would appreciate receiving by radio such pertinent information with regard to this statement as you may be able readily to obtain, together with your comment with regard thereto.

Sent to Shanghai. Repeated to Peiping and Chungking.

WELLES

893.00/14567 : Telegram

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

CHUNGKING, August 3, 1940—noon.

[Received 1:32 p. m.]

377. 1. According to information received indirectly from Chinese Communist sources, it now appears that the information concerning an agreement with the Government as imparted by the Chinese official mentioned in the first paragraph of my 353, July 20, 10 a. m. was not altogether accurate. It now seems that negotiations have [recessed?] and that only a tentative draft agreement was reached by the negotiators mentioned in my telegram under reference. It is reported that the terms of the draft agreement have been taken to Yen-an by Chou En-lai who left Chungking by plane on July 26 for consideration by the Chinese Communist authorities.

2. As to the terms, it now appears that the proposed arrangement envisages a plan whereby the area comprising the 18 hsien in central Shensi is to be governed by a regime technically appointed by the Executive Yuan, but actually composed of officials nominated by the Chinese Communists. It appears that allocation of areas respecting military operations by the Communist armies has not been fully determined, but it seems likely that they will be given roughly the areas they now occupy (practically all of Hopei, substantial portions of

Shansi and Chahar, and relatively smaller areas in Shantung and Suiyuan), and that all other Chinese troops will be excluded therefrom. The foregoing of course excludes the new Fourth Route army in the central Yangtze area which may after all be moved to Hopei. This province would accordingly come under complete Communist military control, although civil government would at least nominally be retained under the jurisdiction of the National Government in Chungking. It also appears that the question of the size of the Chinese-Soviet army has not been settled, as the Reds want recognition, pay and supplies for 9 divisions, while the Chungking authorities are reported willing to recognize and support 6 divisions and 5 independent regiments.³⁴

3. The Chinese Communist Party is also said to be pressing for legal recognition and political equality for the party. It seems probable that they may be granted *de facto* if not *de jure* recognition, including possibly restricted freedom of political activity.

4. The Embassy has not heard of any Soviet Russian intervention in respect of the above mentioned negotiations. It would appear parenthetically that the position of the so-called "pro-democratic" group in the National Government has been strengthened by the recent action of the American Government in extending the licensing [regulations?] in respect of certain vital export materials.³⁵

Sent to the Department. Repeated to Peiping. Peiping please mail code text to Tokyo.

JOHNSON

711.94/1622 : Telegram

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

Tokyo, August 3, 1940—4 p. m.
[Received August 3—7:36 a. m.]

660. Department's 286, July 31, noon.³⁶ The sense of the President's informal comments on Mr. Matsuoka's private message³⁷ was communicated informally to him today by me. Mr. Matsuoka listened with interest and asked me to express to the President his full ap-

³⁴ In the Ambassador's political review for September (telegram No. 502, October 4, 1 p. m.), he reported that "Kuomintang Communist relations remained harmonious, an understanding having been reached after long negotiations on virtually all points at issue between the two groups. It was reported that details concerning the movement of the new Fourth Army from Central to North China were yet to be worked out, although it appeared that some units of that force were already moving north." (893.00 P. R./174)

³⁵ See *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 216 ff.

³⁶ *Ibid.*, p. 108.

³⁷ See telegram No. 620, July 26, 6 p. m., from the Ambassador in Japan, *ibid.*, p. 105.

preciation of the President's kindness and the trouble he had taken in commenting on the message.

GREW

711.94/1648

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

[WASHINGTON,] August 6, 1940.

There is attached hereto a digest of recent incidents involving American and Japanese nationals, including military personnel, which have occurred during the last month in China.³⁸

The recent recrudescence in China of such incidents and the anti-American agitation which has accompanied them indicates that the attitude of Japanese in China toward Americans and American interests is changing, or has already changed, for the worse. There are numerous clear indications that Japanese and other quarters in China feel, or are beginning to feel, that (a) the world situation is in fact providing Japan with a "golden opportunity" to make a more concerted attack upon foreign interests, including American interests in China, and (b) the world situation, with the restrictions it assumably exercises upon this country's independence of action, makes it possible to attack further American interests in China and to mistreat Americans with impunity. Whether this situation will improve or deteriorate would seem to depend in part upon two factors: (a) the failure or success of the expected German attack upon England, and (b) the attitude which this country takes toward issues and incidents in China.

Assuming that the situation in China, as regards our interests, will deteriorate, it seems clear, in the light of British experience, that attempts to temporize with the Japanese will not materially retard or prevent such deterioration. Whether or not continued firmness on our part will result in improvement is a question which only experience can determine, but there would seem to be warrant for believing that we stand to lose no more by firmness than by lack of firmness and probably stand to lose less. There is little reason to believe that formal protest to the Japanese Government alone will cause the taking by that Government of effective steps to suppress what appears to be the beginnings of anti-American agitation and anti-American acts which may have far-reaching consequences. It

³⁸ See statement handed the Japanese Ambassador on August 9, quoted in telegram No. 297, August 9, 3 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 862.

is possible, however, that some benefit might result from the making of a frank statement to the Japanese Ambassador, by the Under Secretary or other high officer in the Department, along the lines of the attached draft.

M[AXWELL] M. H[AMILTON]

711.94/1637: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 8, 1940—2 p. m.

[Received August 8—6:20 a. m.]

754. Department's 335, July 30 [31], 6 p. m. *New York Times* representative informs me that the representative of Domei and of the *Osaka Mainichi* told him on July 31 that they as well as other Japanese news agencies had received radio instructions that they should emphasize every possible anti-American angle of news from China. Another reliable source has learned that the local office of the *Osaka Mainichi* received a letter on August 1 or 2 from the president of the company, Mr. Shingoro Takaishi, confirming those instructions and explaining them roughly as follows:

In future Japan will develop closer relations with Italy and Germany. In the past Japan has sought close relations with the United States and Great Britain. But since some of Japan's aims conflict with the interests of these countries these close relations seem impossible and the attempt has been unsuccessful. Japanese newspapers, therefore, must hereafter write their stories so as to acquaint the Japanese people with the country's new policy of closer relations with Italy and Germany and cause them to have an understanding of the necessity for that change.

It is understood that Mr. Takaishi has previously had the reputation of being pro-American. It seems significant that various Japanese agencies received these instructions at the same time.

Results of the new policy will no doubt be most apparent in Japan. The Japanese press in Shanghai has already been strongly anti-American for some time. A Japanese-controlled Chinese newspaper of July 31 contained a scurrilous attack on *New York Times* representative Durdin, calling him a paid agent of the Chungking Government and a swindler of the American people.

Sent to the Department.

Repeated to Chungking, Peiping. Code text by air mail to Tokyo.

BUTRICK

711.94/1608: Telegram

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

WASHINGTON, August 8, 1940—3 p. m.

296. Your 619, July 26, 5 p. m.,³⁹ paragraph 3. The Foreign Minister's message to the Secretary was delivered to the Secretary upon his return from Habana and before his subsequent departure from Washington on brief leave. As opportunity offers please convey to the Foreign Minister an expression of the Secretary's appreciation and of his assurance that he shares the Foreign Minister's views with regard to the importance of Japanese-American relations.

WELLES

794.00/206

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

No. 4910

TOKYO, August 8, 1940.

[Received August 30.]

SIR: As of particular interest and as a clear-cut analysis of Japan's attitude and policy at the present juncture in world affairs I have the honor to transmit herewith the record of a statement made informally by Mr. Dooman, Counselor of the Embassy, to Mr. Seijiro Yoshizawa, Director of the American Bureau of the Foreign Office, in a conversation on August 6, 1940.

Respectfully yours,

JOSEPH C. GREW

[Enclosure]

Memorandum by the Counselor of Embassy in Japan (Dooman)

[TOKYO,] August 6, 1940.

I called on Mr. Yoshizawa this afternoon at the Foreign Office to pay a final visit before my departure on leave for the United States.

I referred to the agreeable and useful contacts we had had during the past three years and I thanked him for the efforts which he had made in connection with the many problems that we had had to deal with affecting relations between our respective countries. Mr. Yoshizawa said that in the normal course of events he would expect to receive an appointment to the field and that it was likely that he would have gone abroad before I returned from my furlough.

I said that during the many years that I had lived in Japan I had felt that I had got to understand fairly well Japanese psychology

³⁹ Not printed, but see memorandum by the Ambassador in Japan, July 26, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 104.

and temperament, both national and individual, but that during the last few months there had come such a striking change in the Japanese people that I had the sensation of dealing with a nation and with individuals who were utterly strange to me. The Japanese people over their long history had been guided by moral principles which had stood them in good stead in times of need, but it was being made abundantly clear at the present time that the Japanese people hereafter did not propose to orient themselves on any ethical or moral principles. The "golden opportunity" which was today on the lips of so many Japanese, when reduced to fundamentals, meant merely that the difficulties in which nations, who had for many years maintained friendly relations with Japan and with whom Japan had no quarrel, are now involved offered an occasion for Japan to acquire benefits which had no relation whatever to any moral or legal rights held by Japan. With France beaten to its knees, with the Netherlands overrun by the enemy, and with Britain fighting with its back to the wall, the predominant thought in this country appeared to be to exploit to the uttermost the opportunities for seizure of privileges, if not something more drastic, in the possessions of these European powers in the Far East. No individual, I went on to say, could be guided only by expediency and opportunism without ending sooner or later in disaster, and one could see no reason to expect that Japan could hope to escape the inevitable consequences of pursuit of policies predicated on nothing but force.

Mr. Yoshizawa made no comment whatever. I then went on to say that he had said to me on many occasions during the past three years that he had consistently advised his Government that it would be impossible for Japan to separate the United States and Great Britain in respect of their common problems in the Far East. Mr. Yoshizawa nodded his head in assent. I said that if that view were true during the past three years, it is even more true today: that the United States today occupies the same relation to Britain which Britain until recently occupied in relation to France. It was, in short, the weakness of Britain which causes the growing difficulties between Japan and Britain to have a greater effect on American attitude than if Britain were today capable of dealing singlehandedly with Japan. The recent arrests in Japan of British nationals, the demands made by Japan on French Indochina, General Koiso's statements of the last day or so with respect to the Netherlands East Indies,⁴⁰ and many other developments showed only too clearly that a nation had only to be weak to tempt Japan to the making of extravagant demands. It was being made abundantly clear that Japan expected, and indeed hoped, that Germany would be successful in its attack on Great Britain, but even

⁴⁰ See telegram No. 657, August 3, from the Ambassador in Japan, p. 60.

to the Japanese there was a slight margin of doubt; and knowing that the Japanese are not accustomed to taking unnecessary risks, I assumed that Japan is not making any irrevocable decision before the margin of doubt has been removed. If, however, the German attack on Great Britain should prove unsuccessful, I would expect to see a marked moderation of Japanese attitude with respect to the British Empire, the Netherlands and France; and it would have to be realized by the Japanese that, in the contingency which I expected, Japan, because of her present attitude toward nations temporarily in difficulties and certain weaker nations, would have forfeited the right to have accepted by the world on its face value any policy of moderation which she may then adopt.

Mr. Yoshizawa still made no comment. I said that the growing deterioration in Anglo-Japanese relations gave me great concern with regard to the future relations between the United States and this country. Although I could not agree with regard to the controlling character of the arguments which the Japanese used to put forward to defend their actions, I felt that I could, until recently at least, understand them. Recent disclosures of the trend of Japanese policy and the demands by the press and by certain powerful personages for Japanese action against the rights of Occidental Powers in the Far East show only too clearly that neither reason nor morals are to play a part in Japanese foreign policy, and so long as this condition is permitted to exist, there remains no opportunity for the employment of constructive diplomacy.

Mr. Yoshizawa turned the conversation to purely personal matters. He asked when I proposed to leave Tokyo station, and when I said that I was motoring down to Yokohama a few hours before my boat sailed for Kobe on Thursday, he said that he would call at my house early Thursday morning on his way to the Foreign Office.

E[UGENE] H. D[OOMAN]

893.0146/813

The British Ambassador (Lothian) to the Acting Secretary of State

No. 392

WASHINGTON, August 9, 1940.

SIR: Under instructions from His Majesty's Principal Secretary of State for Foreign Affairs I have the honour to inform you that His Majesty's Government in the United Kingdom have decided to withdraw for service elsewhere the military garrisons which they have hitherto maintained in China at Shanghai, Peking and Tientsin.

As regards the withdrawal of the troops from North China I have the honour to inform you that His Majesty's Government reserve all

their treaty rights under the Peking Protocol of September 7th, 1901,⁴¹ until such time as the said Protocol has been amended or abrogated by agreement between the Powers concerned.⁴²

I have [etc.]

LOTHIAN

893.0146/827 : Telegram

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

PEIPING, August 20, 1940—4 p. m.
[Received August 21—3:45 a. m.]

280. Peiping's 279, August 20, 3 p. m.⁴³

1. The matter was also discussed with Colonel Turnage, the commandant of the American Embassy guard, who stated that he as senior Commandant of the Embassy guards at Peiping has taken cognizance of the gap made in the common defense of the diplomatic quarter by the withdrawal of the British Embassy guard and has revised his defense plans accordingly. Colonel Turnage stated further that no occupation or patrol of the British Embassy compound by United States marines has been requested nor will it be permitted except in those subjecting the occupants thereof to grave peril or distress and then only upon the request of the appropriate officials of the governments concerned and with the approval (time permitting) of the Commander in Chief of the United States Asiatic Fleet.⁴⁴ He added that the above plan, a relief measure for humanitarian reasons and which has the approval of the Commander in Chief of the United States Asiatic Fleet, has not been divulged here nor will it be divulged unless a grave situation arises demanding such military action. Colonel Turnage also stated that no inquiry has yet been made by the British or other powers relative to the defense of the British Sector which comprised only their compound.

2. A few days ago Colonel Turnage discussed with me confidentially the matter of the withdrawal of the British guard from Peiping and the necessity of taking cognizance of this in the defense plans of the quarter. A copy of the memorandum of the conversation is being forwarded to the Department by despatch.⁴⁵

Sent to the Department. Repeated to Chungking and Shanghai.

PILCHER

⁴¹ *Foreign Relations*, 1901, Appendix (Affairs in China), p. 312.

⁴² The Acting Secretary of State acknowledged receipt of this British note in a note dated August 13.

⁴³ Not printed.

⁴⁴ Adm. Thomas C. Hart.

⁴⁵ Despatch not printed.

893.0146/828 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 21, 1940—7 p. m.

[Received 10:25 a. m.]

813. With reference to the Department's 373, August 19, 6 p. m.,⁴⁶ my French colleague informed me today that neither he nor the French have received any intimation from their Government that French troops are to be withdrawn from the French Concession.

During a call of the Italian commander of navy forces August 20 on Admiral Hart he gave no indication that the Italians intended to withdraw their troops but intimated that they might be willing to move from their present position in Sector D to that part of Sector B north of Soochow Creek with the marines taking the southern part of Sector B. He further intimated that such a solution would have to be tied up with some other concession to the Japanese for "face-saving" purposes. He was not questioned as to what that concession might be.

I have endeavored and shall endeavor to keep the Department fully informed. I have not duplicated messages sent by the Navy to the Navy Department which I understand has been in closest contact with the Department regarding this matter.

BUTRICK

893.0146/844 : Telegram

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

PEIPING, August 28, 1940—3 p. m.

[Received August 28—11:46 a. m.]

291. Peiping's 194, June 12, 4 p. m., and despatch No. 2702 of June 14,⁴⁷ agreement maintenance *status quo* Diplomatic Quarter, Peiping. The Commandants of the French and Italian Embassy guards signed yesterday a supplementary agreement as follows:

"In view of the French-Italian armistice and the withdrawal of British troops from China the undersigned consider it advisable and do hereby agree to revoke that portion of reference (a) relating to liberty on alternate days and that henceforth liberty and liberty areas will be as prescribed by the guard commanders concerned."

Colonel Turnage, American and Senior Commandant who witnessed the signature of the supplementary agreement, stated that it is de-

⁴⁶ Not printed.⁴⁷ Latter not printed.

signed primarily to afford more liberty to the French and Italian guard personnel.

Present strength of Embassy guards in Peiping follow[s]: French, 2 officers and 32 men including 17 Annamites; Italian, 1 officer and 36 men; British, 9 enlisted men, chiefly signallers who do not wear military uniform.

Sent to the Department. Repeated to Chungking, Tientsin, Shanghai. By air mail to Tokyo.

SMYTH

893.24/877: Telegram

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

TOKYO, September 17, 1940—6 p. m.

[Received September 17—10:51 a. m.]

851. The following is a paraphrase of telegram dated September 16 to London by the British Ambassador:

I drew Minister for Foreign Affairs' attention today to paragraphs 4 and 5 of the text of the Burma Road agreement⁴⁸ in regard to the efforts to be made during the term of the agreement "to bring about a just and equitable peace in the Far East". I reminded His Excellency that His Majesty's Government attached very special importance to these two paragraphs and that in fact the possibility that this 3 months' period might be utilized to put an end to the hostilities had carried particular weight with His Majesty's Government in deciding to enter into this agreement. I should, therefore, be grateful if His Excellency could (a) inform me what steps had been taken by the Japanese Government in the sense of these paragraphs; and (b) whether he thought that there were any further measures open to us during the 4 or 5 weeks which the agreement still had to run.

2. In reply Minister for Foreign Affairs stated that every effort was continuing to be made to bring about peace with the Government of Wang Ching-wei and that he believed that this would be a contribution towards peace with China as a whole. On my expressing doubt as to whether negotiations with Mr. Wang Ching-wei were likely to facilitate the conclusion of peace with Chiang Kai-shek, Minister for Foreign Affairs stated that I was, of course, at liberty to hold this opinion but that he himself and many others did not share it. Continuing, Mr. Matsuoka observed confidentially that he had also been doing his best to reach an understanding with the Government of General Chiang Kai-shek through a Chinese intermediary in whom he had complete confidence. He felt that his own long experience in the negotiations with Chinese would serve him in good stead, adding that he had never yet failed in any Sino-Japanese negotiation he had undertaken. He mentioned this not in order to blow his own trumpet but to demonstrate that his effort was a serious one. It had never been his practice to put all the blame on China for what had occurred—on the contrary, he had brought it home to

⁴⁸ See memorandum of July 12 by the Secretary of State, p. 46.

Japanese opinion more frankly than any other public man that there were faults on both sides and that no permanent peace could ever come about on the basis of domination and exploitation by one side. He believed that Chiang Kai-shek, whom he knew, appreciated that this was his view and that he personally would never be a party to any peace compounded of these two elements; for this reason he felt he might say that there was some slight hope—though he would not put it higher than that.

3. As to my second question, he did not consider that there were any other steps which could usefully be taken at the moment, nor that there was any way in which His Majesty's Government could be of assistance in present circumstances.

4. In course of our talk Minister for Foreign Affairs mistook an observation of mine in regard to the execution of paragraphs 4 and 5 of the agreement as implying that the agreement might not be renewed on October 18 (in fact it had not been my wish at present juncture to raise the question of renewal). To this observation Minister for Foreign Affairs replied that it was of course open to us to refuse to renew if we thought fit and that there was no means of obliging us to renew against our will. Mr. Matsuoka did not pursue the subject further and I thought it best to leave it at that for the present.

GREW

793.94119/670: Telegram

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

TOKYO, September 20, 1940—10 p. m.
[Received September 20—9: 15 p. m.]

870. 1. With reference to my 864, September 19, 10 p. m.,⁵⁰ penultimate paragraph, second sentence, it may be significant that last evening the Soviet Ambassador expressed to my British colleague the opinion that Chiang Kai Shek is now considering making peace with Japan. When Sir Robert Craigie said that according to his information the Generalissimo is more determined than ever to prosecute the hostilities, Mr. Smetanin replied that in spite of the fact that the road over the Pamirs is in excellent condition for the transport of war materials to China until the snow comes, there has recently been a marked falling off of Chinese orders. (Please compare my 748, August 26, 2 p. m.,⁵⁰ second paragraph of paraphrase.)

2. The possibility of some sort of understanding between Japan, France, Germany and Soviet Russia with regard to the Far East seems to me to bear watching.

Sent to the Department. Repeated to Shanghai and Moscow. Shanghai please repeat to Chungking.

GREW

⁵⁰ Printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

711.94/1836

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

No. 5000

Tokyo, September 21, 1940.
[Received November 25.]

SIR: Much water has gone over the falls in the history of American-Japanese relations during the eight years since the beginning of the present mission to Japan on June 6, 1932, and when that history comes to be written, it will show a fluctuating curve in those relations, with periods of marked friendliness interspersed between periods of intense antagonism in the attitude of Japan towards the United States, but with a general worsening tendency. Indeed, in the present era of world power politics and rampant militarism, no other trend could have been expected. Once Japan, as one of the so-called "have not" countries, had determined to achieve by force what she was convinced could not be achieved by orderly processes and peaceful methods, a progressive clashing with American policy, with the rights and legitimate interests of the United States, and with the ideals and international principles for which America stands, was inevitable. Diplomacy might retard but could not stem the tide of aggression. Japan, alas, has become one of the predatory Powers, frankly and unashamedly opportunist, having submerged all sense of international morality, seeking to profit at every turn by the weakness of others. While I earnestly hope that the final chapter of my work in Japan will not have to be characterized, as was Sir Nevile Henderson's work in Berlin, as the "Failure of a Mission", nevertheless, as matters stand today, the odds will presumably have been too great ever to qualify it as a mission of constructive success. Its main purpose has been and probably will continue to be to endeavor, while aiming steadily to support and protect American interests in the Far East, to keep the boat of American-Japanese relations from rocking dangerously. The degree to which either of these aims can effectively be achieved is under present conditions limited.

The occasion of this 5000th despatch is respectfully taken to survey the trends of those relations during the past eight years, in the full realization that such a survey is likely to be of more interest to the historians than of any current value to the Department.⁵¹ This survey does not purport to be in any respect a complete chronicle. Its aim is rather to bring out the high-lights in the Embassy's activities and correspondence with Washington during the period under consideration, touching briefly upon such events and developments as have had a direct or indirect influence on American-Japanese relations or have

⁵¹ Survey not printed.

been of outstanding importance in the history of Japan, as well as to furnish future students with full references to pertinent telegrams on any given subject. For more extensive contemporary comment and data, the Embassy's mail despatches, which are mentioned only in outstanding cases, should also be consulted. Unless otherwise specified, all references in the footnotes are to telegrams from the Embassy to the Department of State.

Respectfully yours,

JOSEPH C. GREW

711.94/1741 : Telegram

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

TOKYO, October 6, 1940—11 p. m.

[Received October 6—9:23 a. m.]

949. 1. The Foreign Minister's two hour and a quarter talk with me yesterday at his invitation was informal and off the record except for three subjects reported in separate telegrams.⁵² Such discourses are difficult to chronicle because the Minister's volubility flows on by the hour with little or no punctuation but from time to time he brings up points of marked interest. The talk yesterday was as usual about 95 percent Matsuoka and 5 percent Grew, because such monologues can be broken only by forceful intrusion.

2. The Minister's main thesis was that the world situation today is the logical result of the clash between the machine age and tradition and the only heated words in the colloquy came from me when Mr. Matsuoka tried to justify national expansion, especially that of Germany, by war, on the ground of imperative necessity. I said that I had personally known the old Germany as a happy, contented prosperous and progressive country within its own boundaries and that it was utterly preposterous to condone on the ground of necessity the action of Germany's present leaders in grinding her weaker neighbors into the dust to satisfy the megalomaniac ambitions of those leaders. As for Japan I personally appreciated her economic needs. It was not the reasonable urge of these needs that had brought Japan's relations with the United States to such a deplorable pass but the methods of force employed in following that urge instead of by the methods envisaged in Mr. Hull's logical and practical plans for solving economic troubles by orderly processes.

2. [3.] Mr. Matsuoka said that after a long period of retirement from public affairs and after having thrice refused posts in the last

⁵² See telegram No. 948, October 5, 10 p. m., *Foreign Relations, Japan, 1931-1941*, vol. II, p. 171; telegrams No. 951, October 6, 5 p. m., and No. 947, October 5, 9 p. m., not printed.

Konoye Cabinet, his intensive pondering on the sorry state of his country had finally led him to urge Prince Konoye again to emerge as the only individual who would rescue Japan from impending chaos and revolution; that the Prime Minister was now a very different person from the vacillating politician of the earlier Konoye Cabinet, and that Prince Konoye was now inflexibly determined to save the country which even now is threatened with revolution. I asked the Minister what nature of revolution he feared to which he replied: "Political, economic and social 'revolution', the danger of which," Mr. Matsuoka said, "is by no means past." He dwelt at length on the weakness and vacillation of former Foreign Ministers.

[4.] The Minister said that now that the tripartite alliance⁵³ was consummated and off of his mind he intended to get to work immediately on the accumulation of American complaints which I had presented to him and to do everything in his power to clear them up. When he took office it was made a *sine qua non* that he was going to direct the foreign relations of Japan and he did not propose to be dictated to by the military, especially the younger hot-headed officers.

5. Mr. Matsuoka in the course of his talk said that Japan would welcome the cooperation of other nations in the development of the new order in East Asia and had no intention of driving out their interests. I immediately took him up on this point which I said I was delighted to hear, but that in fact, as I had clearly indicated in former talks, Japan had already driven out many legitimate American interests built up through generations and was busily engaged in completing the sweep. The Minister replied as usual that these questions would be solved as soon as Chiang Kai-shek had been defeated and the hostilities in China terminated and, as usual, he appealed to the American Government to cease aiding Chiang. I repeated, as usual, the position of the United States on that issue.

6. Just as I was on the point of departure, Mr. Matsuoka presented an earnest plea that I should urge my Government not to impose further embargoes against Japan. "They would not seriously handicap us", he said, "but they would intensely anger the Japanese people" and he added that the thought of war with the United States made him shudder. As to the immediate as contrasted with the long-term effect of such embargoes, I believe Mr. Matsuoka is right.

Sent to the Department; code text to Shanghai; by air mail for Chungking.

GREW

⁵³ Signed at Berlin, September 27, 1940; for summary of pact, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 165.

793.94119/679 : Telegram

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

CHUNGKING, October 12, 1940—11 a. m.

[Received 2 p. m.]

515. 1. During the course of an informal conversation yesterday afternoon the Vice Minister for Foreign Affairs informed an officer of the Embassy that there is no truth whatsoever in recent press and [other] reports to the effect that Madam Chiang Kai Shek has gone to Hong Kong to discuss peace terms. He said that Madam Chiang is in Hong Kong for medical treatment and that the Japanese have made no peace proposals to the Chinese Government. He went on to remark that the Generalissimo and other high officials of the Chinese Government now feel there is a growing recognition in the United States and Great Britain that China's struggle is likely to have a vital effect on the future security of the two democratic powers and that the hostilities in the Far East are inseparably linked with [those] in Europe. China, therefore, is less receptive to peace overtures now than at any time since the commencement of hostilities, said Dr. Hsu.

2. It is safe to comment that Chinese morale is now higher than at any time since the start of the Sino-Japanese conflict. This phenomenon is, of course, attributable in the main to the apparent deterioration of American-Japanese relations the various manifestations of which the Chinese observe with delight and in a minor sense to the British decision to remove restrictions on shipments over the Burma Road.

Sent to the Department. Repeated to Peiping. Peiping please air mail code text to Tokyo.

JOHNSON

711.94/1762 : Telegram

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

PEIPING, October 14, 1940—4 p. m.

[Received October 14—12: 25 p. m.]

381. Peiping's 372, October 9, 6 p. m.,⁵⁵ and 376, October 11 [12?], 3 [1?] p. m.⁵⁶ An American newspaper correspondent has learned from a source which has hitherto proved reliable that on October 11 the Japanese Army here instructed local newspaper editors as follows:

The United States has now openly provoked Japan and is opposing the new order in East Asia; the United States should, therefore, be

⁵⁵ *Post*, p. 900.⁵⁶ Not printed.

treated as a would-be enemy but although editors should keep this in mind they should not yet give expression thereto; the situation is now very delicate and every word published must be carefully weighed. The source in question states that as a result of these instructions there has so far been no anti-American campaign in the local Japanese or Chinese press which the Embassy can confirm from its news items.

The source mentioned above also reports that the poster campaign of the "China Youth Party" (Peiping's 376, October 11 [1937], 3 [1937] p. m.) was refused police support as the police upon inquiry ascertained that the campaign was not sponsored by the local Japanese *gendarmerie*. No additional posters have appeared.

Sent to the Department. Repeated to Chungking, Shanghai, Tokyo.

SMYTH

893.0146/871

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

[WASHINGTON,] October 15, 1940.

[Note: ⁵⁷ In a telegram from Tokyo no. 966, October 10, 7 p. m., ⁵⁸ Ambassador Grew reported to the Department to the effect that his British colleague had shown him a long telegram reporting Lord Lothian's conversation with the Secretary on or about October 7 in which Lothian "quotes you as stating that the American forces in China will be instructed to leave". It happens that in the course of a conversation with Lord Lothian and Mr. Butler ⁵⁹ yesterday, occasion arose for me to make mention of this report and to venture the opinion that either the British Ambassador in Tokyo or the British Ambassador in Washington or both had misconstrued whatever it may have been that the Secretary of State had said to Lord Lothian on the subject of the American armed forces in China. I said that the question of possible removal of those armed forces had been, of course, and still is under consideration but that no decision to the effect that they "will be instructed to leave" has been, so far as I know, definitely arrived at.]

Mr. Butler came to me this afternoon at his request. He said that his Embassy had received a telegram from London based on a report which Lord Lothian had made some days ago to the effect that the American Government was going to withdraw the marines, and that he would read me the telegram. In the telegram, the Foreign Office stated that the British Government had taken note of the declared

⁵⁷ Bracketed note appears in the original.

⁵⁸ Not printed.

⁵⁹ Counselor of the British Embassy.

intention of the American Government to remove the marines; that, in the light of the action which it had taken three months ago regarding its landed armed forces in China, it could not very well offer suggestions or advice to the contrary, but that it, while making plans to suggest to British nationals that those of them whose presence is not especially needed in China should withdraw, wondered whether the American Government had given full consideration to the possible and probable consequences of withdrawal from Shanghai of the American marines; and it authorized Mr. Butler in his discretion to take the matter up with the Department. Mr. Butler said that, in the light of what I had said to Lord Lothian and him yesterday, he felt that he appropriately could and that he should bring the contents of the telegram under reference to our attention.

I said that I was glad both that I had mentioned the matter to Lord Lothian and Mr. Butler yesterday and that Mr. Butler had given me this information today. I said that I regretted that the British Foreign Office had gained an erroneous impression and that I hoped that Mr. Butler would inform them that, while, in connection with our action toward reducing a number of our nationals in certain regions of the Far East, the question of the marines has been and is under consideration, no conclusive decision has been reached whether or when our marines shall be withdrawn. I said that we have long taken the position and have several times publicly stated that the marines will be withdrawn when in our opinion the situation warrants; but on numerous occasions the question whether the situation warrants has been considered and at no time up to the present has it been felt that the moment for withdrawal had arrived. I said that whenever this question has been under consideration we have given thought to the possible effects and combination of effects of a withdrawal if made; that we have had in mind both the interests of this country and the interests of our people or other peoples legitimately and necessarily concerned; and that in our present deliberations we have these points in mind. I referred also to the fact that it has been informally understood between officials of the Department and officials of the British Embassy that, so far as lay within the power of the said officials, if and when either Government felt moved toward or made a decision involving removal or decreasing or increasing of its landed armed forces in China consultation would be held with the other Government or advance notification would be given. I said that in my opinion discussion of the subject of what is to be done regarding American marines at Shanghai should be kept within the narrowest possible official circles and should be kept confidential and that I hope that, in informing his Foreign Office of the facts as I had outlined them, as reported above, he would add an expression of opinion and a request

to that effect. I added that we do not wish for the moment to give the Japanese the benefit of any indication either that we are planning or that we are not planning to remove these marines at this time or in the near future, nor do we wish either to alarm our nationals or unduly to reassure them, nor do we wish to be publicly committed on either the affirmative or the negative side of this question.

S[TANLEY] K. H[ORNBECK]

793.94/16241: Telegram

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

CHUNGKING, October 17, 1940—7 p. m.

[Received October 17—4:55 p. m.]

524. My British colleague has just called to give me the substance of recent conversations which he has had with Generalissimo. He came at the suggestion of the Generalissimo. Latter has asked me to see him tomorrow afternoon when I expect he will say the same thing to me. Generalissimo indicated surprise that Great Britain and the United States continued to treat China as "semi-colonial power" and to continue to place a low value on what China might do to assist in opposing Japan. He referred to the fact that Turkey was accepted as an equal because she had a large army and that Japan was treated as an equal because she had a large navy. He dwelt upon China's army and China's position as a potential factor because of her man power which England and the United States would need sooner or later.

He intimated surprise that Great Britain and the United States had not yet sought the help of China and a feeling of discouragement that we seemed to expect China to come hat in hand. He insisted that China's army was capable of rendering assistance and if supplied with equipment would be able to take the initiative in a decisive way. He stated that he was not asking for immediate help of this character saying that that could follow in time but said that while China was capable of continuing its resistance China was rapidly becoming economically exhausted and had reached a point where it must decide whether it was worth while going on.

My British colleague stated that he had communicated the substance of this to London and that he was expressing the opinion that the time had come when something should be done to show that the British were prepared to do something more than simply open a road. He was urging that important British military representatives come to China for the purpose of staff talks. He stated that this was the first time that he had seen Chiang when he detected anything approaching dejection.

I know from conversations that are repeated to me that there is considerable worry among the Chinese at the present time that the Japanese may begin to appease the United States with the result that we will do nothing out here in the Far East to prevent onward march of Japanese. The Chinese have from the beginning held the opinion that sooner or later the United States and Japan would come to war. Recent acts and statements by us convince them that this belief has been justified, that war between the United States and Japan is near with consequent beneficial results to China. They fear this may come too late. They are worried about the attitude of Russia but in any case and under the best of conditions expect little assistance from Russia. They realize that if Japan, Germany and Italy succeed in their several spheres of action China will suffer. Chiang naturally wonders why Great Britain and the United States who he feels are working together against a common enemy do not accept publicly the partnership of China which has and is suffering vitally in an interest which is fundamentally as much theirs as it is China's. The Generalissimo obviously wants the moral support that such public recognition would give.

I am sending the above now and shall communicate the result of my conversation with Chiang Kai-shek tomorrow evening.

Sent to the Department only.

JOHNSON

793.94/16245: Telegram

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

CHUNGKING, October 18, 1940—2 [9] p. m.

[Received 9:10 p. m.]

526. My 524, October 17, 7 p. m. At the request of the Generalissimo I went to see him this afternoon and had a 2-hour conversation. The Minister for Foreign Affairs was present. After a preliminary conversation during which he inquired my opinion as to possible policy which Russia might follow and steps which the United States might take should Japan advance on Dutch East Indies, during which I referred to the President's Dayton speech⁶⁰ as the latest authoritative statement on the subject of our policy, the Generalissimo said that he had a message which he wished me to communicate in confidence to you and to the President.

[Here follows summary of message from Generalissimo Chiang Kai-shek which is given in detail in telegram No. 528, October 20, 9 a. m., from the Ambassador in China, printed on page 672.]

Sent to the Department only.

JOHNSON

⁶⁰ On October 12; for text, see Department of State *Bulletin*, October 12, 1940, p. 291.

793.94/16261 : Telegram

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

CHUNGKING, October 24, 1940—noon.

[Received 1:40 p. m.]

543. 1. In our conversation of October 18 (my telegrams Nos. 526 and 528)⁶¹ General Chiang Kai-shek explained that one of the two chief dangers under the continuation of Chinese resistance to Japan involved the activities of the Chinese Communists who are utilizing oral propaganda in attacking the policy of the Chinese Government with the consequent deterioration of social and economic conditions and the morale of the people. He also made note of the present equivocal attitude of Soviet Russia vis-à-vis China, pointing out that in his view Russian policy in the Far East can be influenced by such actions and clearly inferring that if the United States does not adopt a policy of active aid to China there is a likely possibility that Russia will be led to support and lend large scale aid to the Chinese Communists. This latter possibility was mentioned in my telegram No. 360, July 24, 10 a. m.

2. In my telegrams 353, July 20, 10 a. m. and 357 [377], August 3, noon, I made mention of reports to the effect that the National Government and the Chinese Communists had, as a result of negotiations, reached an understanding in regard to several conflicting problems and in my political summary for September⁶² I reported that Kuomintang-Communist relations remained harmonious, although measures for the removal of the new Fourth Army from Central to North China were yet to be devised.

3. Since my last conversation with the Generalissimo, I have been informed by a source very close to the Generalissimo that the Chinese Communists have refused to move their forces now operating in Central China to North China. The same informant confirmed, however, that the Chinese Communists desire to prolong the Sino-Japanese conflict; but he expressed the opinion that the Communists wish to foster the continuation of hostilities primarily with a view to consolidating their position in China. In other words they are taking advantage of Chiang's preoccupation with the Sino-Japanese conflict to strengthen their own position in various areas of Central and North China. In this connection, it is generally conceded, even in local Communist quarters, that the Chinese Communists have engaged in little military activity against the Japanese forces in the past 18 months, contenting themselves largely with the establishment of military bases,

⁶¹ Dated October 18, 9 p. m., and October 20, 9 a. m.; for latter see p. 672.

⁶² Not printed.

mobilization of the people, and defense measures against Japanese mopping-up campaigns.

4. I am of the opinion that the possibility of an open break between the National Government and the Chinese Communists remains remote at this time, although failure of the United States and Great Britain to afford timely aid to China may in the end result in Communist ascendancy in China. Under existing circumstances, I believe that both factions are so committed to the expulsion of the Japanese and that such a course of action is of such vital concern to the existence of both groups that they will continue by means of compromise to cooperate against Japan. As has been indicated above, such a policy probably will benefit the Communists more than the existing government because the former is afforded the opportunity of consolidating its position in a country whose economic and social systems continue to deteriorate under the relentless impact of the Japanese military machine.

Sent to the Department only.

JOHNSON

893.00/14594: Telegram

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

CHUNGKING, November 6, 1940—11 a. m.

[Received 2:20 p. m.]

571 [561]. My 543, October 24, noon.

1. During the course of an hour's conversation last evening with General Ho Ying-chin, Chief of Staff of the Chinese Army and concurrently Minister of Military Administration, I asked him to elucidate on the subject of the existing relationship between the National Government and the Chinese Communists. He replied that he had for some time been negotiating with Communist representatives in relation to this problem. The National Government he asserted makes two chief demands of the Communists: (1) that the Communist forces will immediately obey the instructions of the National Government; and (2) that they stop fighting friendly forces and direct their attacks against the Japanese. In addition, General Ho said, the Government desires that the Communists conduct the new Fourth Army from the Central Provinces into Hopeh, Shansi and Chahar. He went on to say that an order to that effect had been telegraphed yesterday, November 5th, to the Communist headquarters in the Yangtze area to move into North China. He indicated that he was not altogether certain whether the Communist Army in Central China would comply with this instruction which, he said, had the approval of the Chungking Communist representative (Chou En Lai)

but probably not that of the Honan authorities (Mao Tse Tung). General Ho declared that the Chinese Communists for their part had two main demands: (1) delimitation of their sphere of control in North Shensi; and (2) recognition and maintenance by the National Government of an enlarged reingratiated [*reintegrated?*] Communist Army. He explained that the national authorities were prepared to create a special area in North Shensi comprising 18 hsien which would be governed by a special delegate (Chuan Yuan) recommended by the Communists and appointed by Chungking and to "recognize" an increase in the strength of the 18th Group Army from 3 to 6 divisions (say about 100,000 men) and augmentation of the new Fourth Army (now officially comprised of 4 regiments) by 1 division; but he emphasized that granting terms would be contingent on compliance by the Communists with the desiderata of the central authorities as outlined above.

2. With regard to reports of a clash in North Kiangsu, General Ho asserted that recently units of the 18th Group Army advancing southward from South Shantung and new Fourth Army forces advancing northward in North Kiangsu had launched a simultaneous attack on the forces of General Han Te Chin, Chairman of the Kiangsu Provincial Government. He said the Communists had precipitated the clash in an endeavor to expand their territorial control, but he went on to say that hostilities between the two opposing armies had now been brought to a halt.

3. The informant said that the Chinese Communists were openly propagating their doctrines in the areas under their control and secretly carrying on propaganda in other areas. He said the Chinese Communists and representatives of the Soviet Union took pains not to associate openly, but he asserted that the Chinese Communists maintain close relations with the Third International which he observed must have close connections with the Moscow Government.

Sent to the Department only.

JOHNSON

793.94119/683 : Telegram

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

NANKING, November 11, 1940—1 p. m.
[Received November 11—10:30 a. m.]

117. Nanking's 107, October 16, 6 p. m.,⁶³ Wang-Japanese negotiations. In a conversation recently Hidaka, Counselor of Embassy of the Japanese Embassy, said that the treaty was receiving final con-

⁶³ Not printed.

sideration in Tokyo and would be formally signed "within a few weeks". In reply to a direct question he stated that this, which he said would imply Japanese recognition, would occur before the end of December and would probably be followed by early recognition by Germany and Italy in the form of appointment of ambassadors to the Wang Ching Wei regime. He added gratuitously that as the treaty was between Japan and China no other nation would be invited to adhere to it.

Sent to the Department; repeated to Chungking and Peiping; by mail to Tokyo and Shanghai.

PAXTON

761.98/1701: Telegram

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

CHUNGKING, November 13, 1940—11 a. m.

[Received November 13—3:35 a. m.]

573. Tokyo's 1131, November 11, 10 p. m.,⁶⁴ paragraphs numbered 1 and 2.

1. When I saw Dr. Sun Fo, President of the Legislative Yuan, on November 6, he expressed the view that there would be no alteration in Soviet Russia's attitude of friendship toward China. He denied rumors apparently emanating from Shanghai to the effect that he is going to Moscow on a second mission on behalf of the Government of China.

2. In the course of an informal conversation with the Minister of Foreign Affairs on November 9, I mentioned persistent reports of a Japanese approach to the National Government on the subject of peace terms and asked if he could give me any information in regard thereto. The Foreign Minister replied that the Japanese had so far as he is aware made no direct approach to the Chinese Government in relation to this subject.

Sent to the Department. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

893.00/14595: Telegram

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

SHANGHAI, November 15, 1940—2 p. m.

[Received 9:25 p. m.]

1258. 1. In estimating the political and economic situation at Shanghai based on observations made since my arrival on October

⁶⁴ Printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

23, I am led to the conclusion that there has been a deterioration in practically all phases of the local situation since I was last here. There are abundant signs that further deterioration will take place, among these signs being:

(1) The evident determination of the Nanking Government to issue a new currency, which will add confusion to a currency situation already demoralized;

(2) gradual imposition on this area by the Japanese of the same sort of drastic import and export trade restrictions that have stifled trade in the north;

(3) further tightening of control of the customs by the Japanese;

(4) the evil of and private gain connected with the permit system;

(5) the skyrocketing of all transportation charges, especially on inland and coastwise waterways;

(6) tightening of blockade restrictions and seizures of vessels engaged in transporting food products to Shanghai and raw materials for manufacture;

(7) rapidly rising cost of living much of which is due to manipulation and monopolistic practices;

(8) a rising tide of restless, hungry, unemployed people whose desperate plight is already causing concern to the municipal authorities;

(9) increasing fear of Japanese encroachments on, if not complete control of, all municipal functions at Shanghai;

(10) spread of crime and lawlessness and fear of break down of law enforcement agencies and impairment of effectiveness of courts;

(11) increasing municipal taxes, and

(12) permanent disruption of financial and trade connections that have long existed with America.

2. The foregoing are among the more important adverse factors bearing on the situation as it exists at Shanghai today and some of these have prevailed for months and have already seriously affected the political and economic status of the port. The outlook for the American business man and the American missionary is extremely discouraging. There is the further consideration that it is by no means certain that if and when the two countries now engaged in the Far Eastern conflict exhaust themselves, as they ultimately must, and hostilities cease the position of the American business man and missionary will be substantially and definitely improved. They have both lost ground which it will be difficult, if not impossible, to recover whatever the outcome of the conflict may be.

Sent to the Department. Repeated to Chungking and Peiping. Code text by air mail to Tokyo.

LOCKHART

793.94/16319 : Telegram

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

TOKYO, November 16, 1940—3 p. m.

[Received November 16—8:07 a. m.]

1159. Embassy's 1147, November 14, 2 p. m.⁶⁶ There are current in Tokyo many rumors concerning possible subjects discussed and decisions reached at the recent Imperial Conference, including such possibilities as (1) a decision to undertake further aggressive action toward "areas to the southward" including some or all of the following places: Hong Kong, Singapore, Netherland Indies, Southern French Indochina and (2) policies involving Russo-Japanese relations. I see no reason, however, to doubt the creditability of the statements released that the conference dealt with "questions related to the China incident." It is being suggested in some quarters that revision of the general policy laid down by the Konoye statement of December 22, 1938,⁶⁷ (Embassy's despatch 3535, December 23, 1938⁶⁸) was considered in order to obtain the sanction of an Imperial Conference to a change in fundamental policy enabling the Japanese Government "to deal" with Chiang Kai Shek and the present leaders of the Chinese National Government. The possibility that Japan may have altered its policy to allow negotiations with the Chinese National Government is not to be overlooked, particularly in the light of statement to me that he hopes to conduct negotiations with Chiang Kai Shek (Embassy's telegram 1131, November 11, 10 p. m.⁶⁹).

Reports from Chungking would indicate that no overtures have yet been made, and this angle could probably be best reported from Chungking but I shall continue to endeavor to gather any pertinent information. There is a rumor which cannot be confirmed that there are two Chungking representatives in Tokyo at the present time.

It has also been suggested that the Imperial Conference was called for the purpose of obtaining agreement to and sanction of the draft treaty which was drawn up by General Abe and Wang Ching-wei at Nanking at the close of August this year. The only vernacular comment on the "settlement of the China incident" which has appeared since November 13 is a long editorial comment in the *Nichi Nichi* November 15 (Embassy's 1153, November 15, 7 p. m.⁶⁹).

⁶⁶ Not printed.⁶⁷ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 482.⁶⁸ *Foreign Relations, 1938*, vol. IV, p. 110.⁶⁹ Printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

It is not necessary to emphasize the strong desire of the Japanese government and people "to settle the China incident"; this represents the very basis of present Japanese high policy. The fact that an imperial conference was held and announcement made of complete agreement on questions relating to the China incident would indicate the confidence of the Government that at least a *pro forma* settlement of the incident may be expected in the relatively near future. Even though the Japanese can hardly expect a "settlement" which will bring tranquillity to East Asia at once, an agreement or arrangement could be announced which would constitute at least a "settlement" in name. It is difficult to foresee how this could include renunciation of the present Chinese puppet regimes and therefore any negotiations even with Chiang Kai Shek would probably have to be conducted in such manner as to envisage retention of some of those regimes.

The Japanese Government's statement of November 3, 1938⁷⁰ (Embassy's despatch 3416, November 4, 1938⁷¹) and the Konoye statement of December 22, 1938, emphasize the necessity of concluding an anti-comintern agreement between Japan and China in keeping with the Japan-Germany-Italy Anti-Comintern Pact,⁷² the stationing of Japanese troops at "specified points" in China, presumably for defense against communism, and the designation of inner-Mongolia as a special anti-comintern area. The conclusion of the Tripartite Alliance and the possible further strengthening of Russo-German relations as a result of the Molotov⁷³ visit to Berlin may have obviated or changed many of the compelling reasons for Japan's insistence on cooperation with China in defense against communism. Japan is now seeking a nonaggression pact with Russia. It is possible that the Imperial Conference was called to settle questions concerning recognition of the Wang regime and regarding a redefinition of Japan's fundamental policy for settlement of the China incident in order to remove or to alter provisions naturally offensive to Soviet Russia. Even a *pro forma* settlement with China, if accomplished parallel to or in conjunction with the Tripartite Alliance, would greatly lessen criticism of the Alliance, would go far to justify the pact even in the eyes of its silent critics, and by greatly enhancing the prestige of the Konoye Government would alleviate much of the internal tension. (There would remain, of course, most of the present economic problems.) Axis cooperation and a benevo-

⁷⁰ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 477.

⁷¹ Not printed.

⁷² Signed at Rome, November 6, 1937; *Foreign Relations, Japan, 1931-1941*, vol. II, p. 159.

⁷³ Soviet Commissar for Foreign Affairs; for his visit to Berlin, see vol. I, index.

lent Russia would to some extent offset the weakness of the Wang regime.

The Japanese Government has no doubt been kept informed of pertinent details of the recent conversations between Germany and Russia in Berlin. Japan's diplomatic policies may now be expected to proceed along with those of the Axis Powers, and it is probable that announcement of any settlement of the China incident or significant changes in Japan's basic policies will be timed to serve as a harmonious accompaniment to or part of any new *démarche* by the totalitarian powers, probably including Russia, the vital link between Tokyo, Berlin and Rome.

GREW

711.93/455 : Telegram

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

CHUNGKING, November 20, 1940—9 a. m.
[Received November 20—5:25 a. m.]

577. My 568, November 9, 5 p. m.⁷⁴ Vice Minister for Foreign Affairs Hsu Mo called on me on the evening of the 19th at the request of the Generalissimo and stated that Generalissimo hopes to know reaction of the United States to his proposals, that he hopes that some kind of an arrangement might be reached by the end of the present month. (Department's 192, November 18, noon,⁷⁵ received and decoded while this message was being enciphered. I shall take an early opportunity to communicate Department's reply to Chiang.)

Generalissimo directed the Vice Minister to communicate to me the following for your information. Von Ribbentrop⁷⁶ called the Chinese Ambassador at Berlin in to see him and in the presence of Stahmer, German representative understood to have been instrumental in negotiating tripartite pact with Japan, told the Chinese Ambassador that since the visit of Molotov, the German Government felt that it would be to the interest of China to bring to an end the conflict with Japan. He dwelt upon the European situation, saying that he felt certain that Germany had won hegemony in Europe and was certain that the European war would be terminated by end of year at the latest as [victory for the?] Axis when Germany would unite Europe. When this was accomplished, China could no longer expect assistance from Great Britain or the United States. He expressed the opinion that this was China's last opportunity to come to terms with Japan; otherwise Japan would recognize the Wang Ching Wei regime. He said that Italy was already [prepared to?] recognize the

⁷⁴ *Post*, p. 688.

⁷⁵ *Post*, p. 693.

⁷⁶ Joachim von Ribbentrop, German Minister for Foreign Affairs.

Wang Ching Wei regime and that Germany being a member of the Axis would also recognize that regime. He expressed the hope that China would make terms with Japan and also that China would join the Axis, saying that Germany would guarantee fulfillment by Japan of peace terms and that Japan would not go beyond terms agreed upon between the two countries.

Generalissimo wondered whether I had received any information regarding the Hitler-Molotov conversations and said that in anticipation of the above report from Berlin he wished to pass it on to you for your information.

The Vice Minister stated that the Chinese Government had made no reply to this German suggestion to Berlin nor had it yet considered what reply it should make.

Sent to the Department only.

JOHNSON

793.94119/688 : Telegram

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

CHUNGKING, November 20, 1940—10 a. m.

[Received 10:14 a. m.]

578. With reference to Tokyo's 1131, November 11, 10 p. m.,⁷⁷ regarding Grew-Matsuoka conversation. Last evening Vice Minister Hsu Mo came to me at request of Generalissimo and referred to United Press despatch published here November 18 under Tokyo date-line which contained following:

"Unimpeachable sources state that Foreign Minister Matsuoka informed American Ambassador Joseph Grew on November 10 that he was personally making an effort to get into direct contact with Generalissimo Chiang Kai-shek for 'final' offer. It is understood that Matsuoka requested Grew to ask Washington not to interfere with his peace efforts."

Vice Minister asked me whether this was a correct report and if so what the reaction of American Government was. I have informed Vice Minister of nature of statement Matsuoka made to Mr. Grew and have also quoted to him report of question and answer of Acting Secretary Welles in regard to this matter reported in State Department Bulletin No. 274 of November 18.⁷⁸

⁷⁷ Printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

⁷⁸ Radio Bulletin No. 274 said among other things: "A correspondent remarked that there were also reports from various points in the Far East to the effect that Japan was preparing to offer liberal terms to General Chiang Kai-shek, and that this Government had been apprised of them and requested not to interfere. Asked if he could comment, the Acting Secretary said that the Department had no information from our Embassy in Tokyo which would seem to offer any basis for such a report."

I asked Vice Minister whether Japanese Government had made an effort to get into direct touch with Chinese Government regarding peace terms and he denied that any such attempt had been made. Japanese Government is apparently attempting to prepare way for forthcoming treaty with Wang Ching Wei by intimations that negotiations directly with Chinese National Government were made impossible by attitude of United States.

In this connection I should state that when Dr. Hsu Mo asked what American Government's reaction would be to the reported warning by Japan I told him that from my own personal point of view the American Government's interest in these matters had been announced again and again as an interest in the maintenance of the treaties and defense of American interests and that American Government would hardly care to offer advice to China as to what it might deem proper to be done in its own interest.

Sent to the Department.

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

JOHNSON

793.94119/689 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*⁷⁹

TOKYO, November 20, 1940—10 a. m.

[Received 1:05 p. m.]

1171-1172. Dr. Charles B. Fahs, Assistant Professor of Oriental Affairs, Pomona and Claremont Colleges, who is passing through Japan on his way to Peiping, had conversations November 18 with Mr. Juji Matsumoto, President of the Foreign Department, Domei, and Mr. Tomohiko Ushiba, private secretary to Premier Konoye.

Mr. Matsumoto, who was formerly chief of Domei in China and who was reportedly offered the Ambassadorship to the United States, told Dr. Fahs that he had just returned from China where he had been endeavoring to instigate negotiations with the Chungking Government. While he did not actually say so, he gave the impression that Japan had not yet recognized the Wang Ching Wei government; in fact, he stated that commitments already made to Wang were becoming exceedingly embarrassing as far as the negotiations with Chungking were concerned. Mr. Matsumoto did not express any opinion as to the success of his mission, but admitted that negotiations would be long and protracted. He seemed to feel that there was some possibility of eventual agreement, remarking that both China and Japan had learned much from the present incident.

⁷⁹ The two sections of this message, transmitted as telegrams Nos. 1171-1172, are printed as one document.

Mr. Ushiba remarked that things were very "difficult" with the present government, much less pleasant than at the time of the previous Konoye Cabinet. He intimated that there might be a change in government, suggesting that his own present post was insecure. Mr. Ushiba stated further that most policies of the present government were actually being decided by lower effectiveness [*officials?*] in the various Ministries, that in many cases the Ministers themselves lacked sufficient experience and technical knowledge. He pointed out the tripartite pact as an exception: the responsibility for it, he said, rested entirely with Premier Konoye and Mr. Matsuoka, no one else having been consulted.

Mr. Ushiba verified a report which Dr. Fahs had heard from another source: namely, that Mitsuru Toyama, head of the Black Dragon Society, is decidedly opposed to the "Yoku-sankai" (imperial rule assistance organ) on the ground that it violates the Japanese constitution. This is interesting in view of the inestimable yet important influence of the Black Dragon in Japanese politics.

GREW

711.93/456: Telegram

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

CHUNGKING, November 21, 1940—3 p. m.

[Received November 22—7:20 a. m.]

579. (1) In pursuance of the directions contained in the Department's 192, November 18, noon,⁸⁰ I called on Chiang Kai-shek this morning and orally communicated to him the message contained therein.

2. General Chiang said that he wished to send a reply the gist of which is as follows: he is fully aware of the American Government's policy of not entering into alliances and that in submitting his plan he wished to make it clear (1) that the United States need not join in an alliance, and (2) that the United States could retain its independence of action in respect of the joint announcement of principles mentioned in his plan. He then asserted that he is not concerned with methods but with the question of how to carry out the principles. The General then declared that he wished to say something concerning Japanese activities and Japan's relations with Germany. He continued by saying that recently Japan had been spreading rumors of preparations to recognize the Wang Ching-wei regime and at the same time of an endeavor to come to terms with Chungking. Hitherto, he said, little attention had been paid by the Chinese Government

⁸⁰*Post*, p. 693.

to Japanese propaganda and that was still the case; but in this particular instance there is more than a 50 percent probability of Japan's recognizing the Wang regime at an early date for want of a suitable alternative. He went on to say that it is immaterial to the Chinese Government whether Japan recognizes Wang but he averred that China had to consider the internal and external repercussions. He declared that there would be no effect on "Chungking" but the people of the occupied areas, especially in North China, would be affected to a great extent and as a result China's economic and military situation would likewise be affected; externally he feared that Italy and Germany will also recognize the Wang organization. He then interpreted Ribbentrop's conversation with the press in Berlin which he described as set forth in my 577, November 20, 9 a. m., with the additional significant statement that the German Foreign Minister's conversation with the Chinese Ambassador was held after the departure of Molotov from Berlin for Moscow. He then stated he still had no information in regard to Molotov's conversations in Berlin but he showed that they must have touched on China. He felt that Russia would not recognize the Wang regime but he thought that through your attitude the Chinese Government might become "cooler". If the Axis Powers should recognize Wang and Russia should adopt a cool attitude toward Chungking, he asserted, these actions would shake the confidence of the Chinese people. Therefore, he said, the United States and Great Britain should, before the recognition of Wang becomes a reality, "take steps to prevent this action from affecting China's ability to continue resistance". He went on to say that "if at that time America does not show a positive attitude and give positive assistance, our war of resistance will be gravely imperiled. Only America can turn the tide and keep up the morale of the Chinese people." He then expressed the view that the remedies are (1) that the United States definitely express to Japan before the latter takes steps to recognize Wang its disapproval of that course of action and (2) that prior to the Japanese recognition of Wang the United States and Great Britain express publicly their adherence to the principles outlined in his plan. He went on to emphasize that action along the foregoing lines before Japan effects recognition of the Wang regime would be of great assistance to China's war of resistance. I assured General Chiang that I would transmit his views to the American authorities at Washington.

3. In reply to my inquiry General Chiang said that he had not yet replied to the proposals advanced by Ribbentrop. In reply to a further question he said he would pay no attention to Ribbentrop's statements.

4. In reply to another inquiry the General affirmed that he had communicated information of Ribbentrop's approach to my British colleague.

5. I also questioned the Generalissimo in regard to reported Japanese peace overtures having in mind Matsuoka's statements to Mr. Grew on this subject. He replied that Matsuoka had not yet approached him and he went on to express the opinion that the Japanese peace terms were in Ribbentrop's pocket at the time that the latter held his conversation with the Chinese Ambassador; he felt that the German Foreign Minister was withholding the Japanese terms until he received a reply from Chungking.

6. The conversation then concluded.

7. It seems to me that it would be desirable when a favorable opportunity occurs to reaffirm our adherence to the principles as set forth in Chiang's "plan".⁸¹ Although this action itself may have no appreciable influence in curbing Japanese activities in the Far East, it may, as the Generalissimo said, have a heartening effect on the morale of the Chinese people.

Repeated to Department only.

JOHNSON

793.94119/691 : Telegram

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

SHANGHAI, November 22, 1940—3 p. m.

[Received November 22—1:25 p. m.]

1288. 1. From a highly placed Japanese official with whom I talked a few days ago I gathered that the Japanese are putting considerable dependence in Wang Ching-wei as a possible intermediary between them and Chiang Kai-shek.

I was told that Wang would be a very strong supporter of any reasonable peace move that might be put forward by the Japanese even to the point, if necessary, of sacrificing his political fortunes now or in the future. It was represented to me that Wang's political maneuvers from the beginning have been designed with the restoration of peace as the main objective—that he has at no time abandoned that guiding principle. My informant paid tribute to Wang's courage and his determination, as my informant described it, to do something constructive for his country; that he was by nature not destructive, but was following what he often believed was a course of action that would in the end benefit China. My informant stressed at length Wang's interest in the economic development of China and I gained

⁸¹ See note from the Chinese Minister for Foreign Affairs to the American Ambassador in China, p. 690.

that this at least was common ground on which he and the Japanese stood; that trade and the development of the natural and industrial resources of China would form the foundation of any agreement by which the present hostilities might be brought to an end. My informant also stressed the part of the Japanese army played in all economic questions in China and said frankly the army must control the economy of China if it hopes to retain any control over the country; that economic control is something that the Chinese can see and feel, and that it cannot be as easily circumvented as political control. (This may explain in part, if any explanation is necessary, the rigid import, export and exchange regulations and blockade restriction on exports now in force in certain areas.)

2. My informant appeared to feel that Wang was prepared to agree to the merging of the Nanking regime and the National Government if a reasonable peace could be negotiated. This harmonizes with the information contained in the last substantive paragraph of Nanking's 121, November 19, 4 p. m., to the Department.⁸²

3. The foregoing is confidentially communicated to the Department for what it may be worth and because it comes from a person whom I have known for several years and who is closely associated with Japanese and Chinese leaders in Nanking and Shanghai.

Sent to Department. Repeated to Chungking and Peiping. Code text by air mail to Tokyo.

LOCKHART

793.94119/690 : Telegram

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

TOKYO, November 22, 1940—4 p. m.
[Received November 22—7:45 a. m.]

1181. Reference Chungking's 578, November 20, 10 a. m., to the Department via Shanghai. The Embassy has learned definitely that the United Press in Tokyo did not send the despatch quoted in Chungking's telegram under reference and further that the United Press here has not sent any report containing similar information.

Sent to the Department. Repeated to Chungking.

GREW

793.94/16328 : Telegram

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

TOKYO, November 22, 1940—6 p. m.
[Received November 23—9:26 a. m.]

1183. There is current in Tokyo a rumor, which in spite of considerable effort remains unconfirmed, that the Japanese Government

⁸² Not printed.

decided at the last Imperial Conference (Embassy's telegram 1159, November 16, 3 p. m.) to offer Chiang Kai-shek, not directly but through Wang Ching-wei, an opportunity to cooperate with the Japanese and to [the] Nanking regime in the formation of a new government of China. It is said that Chiang has been given until the end of November to make his decision. Should he decline to accept the Japanese peace proposals and decide to continue resistance, the Japanese have reportedly warned him that full recognition will be extended to Wang Ching-wei and that Japan and the new Chinese Government will continue to attack Chiang Kai-shek until his "regime" is destroyed.

The persistence of this rumor, coupled with the fact there have appeared recently in various vernacular newspapers editorials and articles urging not only the support of Wang Ching-wei but also broadly hinting that cooperation between Chiang Kai-shek and Japan would be welcomed, should that cooperation conform to Japan's desires for its "new order in Asia", would seem to give further indication that the Japanese may have approached, probably through Wang Ching-wei, the Chinese National Government officials.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking, Peiping.

GREW

793.94119/693 : Telegram

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

NANKING, November 24, 1940—11 a. m.

[Received November 24—5:30 a. m.]

122. This office's 121, November 19, 4 p. m.,⁸³ Wang-Japanese negotiations. The French Consul yesterday evening told of an interview he had a few days ago with Hidaka, Counselor of the Japanese Embassy, at which the latter said that General Abe would return to this city shortly for formal signature of the treaty which had received approval at Tokyo.

This morning the same informant gave an account of a conversation he had just had with Chu Min Yi in which that official stated that the treaty would be signed by the end of this week as the prolonged delay was proving embarrassing; that German pressure had been influential in accelerating Japanese approval; that Italian recognition would follow Japanese action at once but that the Germans were not expected to act so promptly. It was also stated that the "principal terms" of the treaty would be published without delay but that certain

⁸³ Not printed.

economic points involving considerations of "military necessity" would not be given publicity as yet and that Abe would probably not continue as Japanese Ambassador to the Nanking regime after the treaty had been signed.

Sent to the Department; repeated to Chungking, Peking, and Shanghai. Code text by mail to Tokyo.

PAXTON

793.94119/694 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*²⁴

TOKYO, November 25, 1940—1 p. m.
[Received November 25—12: 48 p. m.]

1194-1198. The following is summary of a telegram sent by my British colleague to London dated November 21, 1940:

The communication from Ribbentrop to the Chinese Ambassador (Chungking's telegram No. A) accords well with Japan's present attitude toward Chiang Kai-shek and Wang Ching-wei, respectively. It is easily credible that the Japanese Foreign Minister has made contact with Chiang and submitted peace terms which the Foreign Minister considers Chiang will regard as too reasonable to be refused. The Japanese offer is, however, in the usual Axis fashion, undoubtedly accompanied by the threat that in the event of Chungking's continued recalcitrance the Axis Powers will recognize Wang Ching-wei. I have moreover been informed from a reliable source that German pressure is responsible for this offer of peace. There is reason to believe, although Wang is now being dangling, if there appears no hope of agreement with the Chinese Government by the end of November the Japanese Government will finally conclude a treaty with him. All of this indicates the weakness of Japan and her subservience to Germany, and if Chiang should now swallow the bait he would be making a mistake.

2. Although we have not hitherto been able to obtain definitely the terms offered in Chungking and Nanking theoretically it may be assumed that the basis would be Konoye's statement of December 1938 in a clarified and improved version, perhaps with definite arrangements for the "economic collaboration" of China with Japan and for the progressive withdrawal of Japanese troops. Without doubt there has been a recent shift of the center of Japanese interest away from China in the direction of the Southern Pacific. This reported departure makes it more probable that the terms now offered to Chiang and to Wang will be more favorable than any hitherto produced. The Foreign Minister has in fact told me that any peace offer with which he personally was associated would be so.

3. Japan's most immediate objective, apart from the conclusion of peace with China, appears to be to control Indochina, completely as regards economic and at least partially politically. There is some justifi-

²⁴ The five sections of this message, transmitted as telegrams Nos. 1194-1198, are printed as one document.

cation for the Japanese belief that they will be able to secure their aims by fifth column intrigue, negotiation and diplomatic pressure, because of the combination of the culpably weak and anti-British Indochina Government with the slavishly pro-German Government attitude of Vichy.

If, however, force becomes necessary in the last resort, the Japanese have concentrated in Hainan some three divisions which are to be used as circumstances require and as may be permitted by the course of the European war and the attitude of the United States.

4. Mr. Matsuoka was not, I think, trying deliberately to mislead us in giving the pledge which I quoted in paragraph 4 of my telegram No. B. (This was the telegram sent in our 1123, November 11, 9 a. m.⁸⁵). I am sure he is satisfied that Japan will not need to fire a shot in obtaining her ends in Indochina. In Japan, however, the Foreign Minister proposes and the army disposes (please refer to Shanghai's telegram No. C). In any case Mr. Matsuoka's reservation in the last sentence of the paragraph referred to serves to safeguard himself against unexpected developments. There is nothing so far as I can see which will prevent Indochina with all of its valuable economic resources from falling into Japan's hands in fact if not in name except the firmest possible attitude on the part of the American Government. The dismay occasioned in Japan on learning that the United States Government had decided to withdraw American citizens from Japan indicates how strong a reaction is produced by any American move. It is just possible that this particular game might be considered by the Japanese Government as not worth the candle if it were certain that severe economic reprisals would be forthcoming.

5. It would seem that the German *démarche* (Chungking's telegram number A), since it followed so closely Molotov's visit, must have been (1) made by agreement with Molotov or (2) a means of exerting inferior pressure on Moscow because of dissatisfaction with that visit. It is my feeling that (2) fits better with reports from other sources of the small political achievement of the mission. If it is true that Russia is considering resisting pressure from Germany, there could be nothing more disconcerting from her point of view at this juncture than peace between China and Japan concluded under German auspices.

Following is the substance of telegrams numbered A and C referred to above.

Begin telegram A, from Chungking dated November 19: Chiang Kai-shek stated yesterday in strict confidence that Ribbentrop summoned the Chinese Ambassador immediately after Molotov had visited Berlin and conveyed to the Ambassador a message substantially as follows:

The whole of Europe is now under German control (no mention was made of Italy). The war would be over by the end of 1940 or by early spring at the latest. It was advised that the Chinese Government should make peace promptly with Japan and should join the Axis, this being her last opportunity to be admitted to the fold. In case China refused to make peace, Japan and then Italy would recognize

⁸⁵ For gist of telegram No. 1123, see telegram No. 963, October 9, 8 p. m., from the Ambassador in Japan and footnote, printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

Wang Ching-wei and it would thereupon become impossible for Germany to refrain from taking action in concert with her allies. End telegram A.

Begin telegram C, from Shanghai dated November 20:

An American journalist was informed on November 13 by the Commander in Chief of the Japanese fleet in China, who had had several drinks, that the Japanese intended, in order to secure bases at Camranh and Saigon for defense against Great Britain, to move soon into southern Indochina.

They intended to seize British North Borneo as soon as hostilities break out with Britain. No blockade of Singapore was planned. They would cut communications eastward and at their leisure deal with Hong Kong. (End telegram C).

GREW

893.00/14598: Telegram

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

TOkyo, November 26, 1940—10 p. m.
[Received November 27—9: 44 a. m.]

1208. In my various talks with the Minister for Foreign Affairs, I have received the impression that he is or was very inadequately informed with regard to the true situation in China pertaining to foreign trade and other foreign interests and from time to time I have endeavored to enlighten him on these matters. I think it could do no harm and might conceivably be helpful if in the course of some future interview the points brought out in Mr. Lockhart's enlightening telegram No. 1258, November 15, 2 p. m., describing the deterioration of the political and economic situation in Shanghai, were brought to Mr. Matsuoka's attention orally and informally as in line with his expressed desire and intention to take steps to remove obstructions to an improvement in the general situation under reference.

Please instruct.⁸⁶

GREW

793.94/16345: Telegram

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

CHUNGKING, November 27, 1940—9 a. m.
[Received November 30—8: 28 a. m.]

587. The appeal set down in my telegrams Nos. 526,⁸⁷ 563,⁸⁸ 579,⁸⁹ and 581,⁹⁰ sent during October and November, seems to me to be the

⁸⁶ In a reply dated December 3 the Department authorized the Ambassador in Japan to implement his proposal, and on December 17, the Ambassador, in an interview with the Japanese Foreign Minister, brought orally to his attention the twelve points set forth in Mr. Lockhart's telegram.

⁸⁷ October 18, 9 p. m., p. 428.

⁸⁸ November 9, 5 p. m., p. 688.

⁸⁹ November 21, 3 p. m., p. 439.

⁹⁰ November 22, 1 p. m., p. 695.

appeal of a man who has lost confidence in his ability to contend longer with a domestic situation which he feels he cannot control. If not, it would seem to be the plea of a man who, feeling the urgent need of help from abroad and seeing the United States preparing to lend assistance to Great Britain whose struggle he feels is linked inseparably with that of China in resisting the efforts of the predatory Axis nations to establish a new world order in their own interests, turns to the United States for concrete assistance at the earliest possible date in order to ameliorate to the greatest possible extent the hardships and sufferings which his people have now endured for 40 months. He has almost from the beginning of the present conflict held up to his people the probability of the United States and Great Britain's ultimately coming to China's assistance, he feels that he has now virtually exhausted the strength of his nation and people in a desperate struggle against aggression which he conceives has been fought as much in the interests of Great Britain and the United States as in those of China and, having done all this, he now feels that it is time that the United States came to his assistance in its own interests if not in those of China.

In the military field the Chinese armies while putting up a strong and stubborn resistance have been forced to yield to the invader the coast ports and all communications leading from the interior to those ports. There is but one main outlet left and that is subject to constant bombing. Up until August of this year the Chinese could put a number of planes into the air which could worry the Japanese bombers. Since then they have been unable to compete in the air with the newer and swifter planes which the Japanese have introduced and all Chinese planes are grounded. They have little hope of getting newer and swifter planes, that can meet the Japanese planes on any basis of equality, except from the United States.

In the financial field Chinese reserves of foreign exchange are virtually exhausted. Inflation has started speculation in consumer goods and, locally, in rice, driving prices to a point where the morale of minor government employees on small salaries is hard to maintain. This of course has increased the feeling of discontent with the regime which has been dominated by the Soong family headed by Dr. Kung who, if talk among minor officials and bankers is to be believed, is vacillating and hesitant as to what may be done while numerous proposals are being offered and discussed for dealing with the question of rice hoarding and speculation. No one seems to be willing to

assume the responsibility of taking any drastic action and plans proposed run all the way from abandonment of all restrictions on buying and selling of food to seizure of all stocks in the hands of farmers and private speculators.

Unwillingness of the Government to take a stand in this matter and the obvious failure of measures such as have already been taken tend to break down confidence in government leadership, leaving Chiang in a position where he is trying to revive domestic confidence through concrete evidence of continued foreign confidence. For this he feels that he has no place to look except to the United States and Great Britain.

Local price conditions are not due to any lack of food supplies. It is hardly to be expected that the Government can do anything directly to control prices among a people who have never been subjected to the kinds of regimented control that we know and practice in the West. High prices are merely a result of currency inflation and a scarcity of consumer goods ordinarily needed by the farmers in their daily lives, goods that have hitherto been supplied from regions down the Yangtze, such as cotton yarns and cotton goods.

I know of no way in which we can ameliorate this situation. Part of the difficulties will solve themselves when supplies slowly find their way into this area by the ancient methods of distribution over the passes that have existed through the years. The evils of currency inflation cannot be helped from without and it is difficult to see what can be done about them now from within.

China with nothing left but the products of her soil and the labor of her people to exchange for goods needed from other countries faces the unpalatable fact that, if developments continue in the direction which they have been following under Japanese initiative, this exchange can only be effected through Japanese hands in payment for the products of Japanese labor and the cost of Japanese police maintaining Japanese control over trade routes and business.

Under these circumstances I shall not go directly to Chiang with the comments contained in Department's 196, November 23, 7 p. m.,⁹¹ but at some suitable opportunity shall communicate them to the Minister for Foreign Affairs.

Code text by air mail to Hong Kong for transmission to the Department by cable.

JOHNSON

⁹¹ Printed in vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

893.01/844a : Telegram

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

WASHINGTON, November 27, 1940—6 p. m.

505. 1. In view of press reports that the Japanese Government may recognize the Nanking regime in the near future, there is given below as of possible assistance a statement in review of this Government's attitude in regard to that regime and to possible Japanese recognition thereof.

2. The circumstances attending the setting up at Nanking in March of this year of the Wang Ching-wei regime led this Government to believe that from the outset the regime has lacked any spontaneous or genuine broad support on the part of the Chinese public, that it was designed primarily to serve the special purposes of Japan and that it would operate toward depriving the people and governments of the United States and other third countries of long-established rights of equal opportunity and fair treatment in China which are legally and justly theirs. Developments since the setting up of the regime have strengthened this belief. Recognition of the regime by Japan would serve, in the opinion of the Government of the United States, to obstruct and render more difficult the solution of problems inherent in a situation in which many countries including the United States and Japan have a legitimate and substantial interest. The Government of the United States believes that only through upholding the principles of mutual respect for national sovereignty and independence and of equality of commercial opportunity—principles which Japan, the United States and other powers are pledged to support—can a lasting settlement of existing problems in the Far East be achieved.

3. You are of course authorized in your discretion and if you believe that a useful purpose would be served thereby to make known orally and informally the attitude of this Government substantially as set forth in paragraph 2 above to appropriate Japanese officials.

HULL

711.94/1903

The Consul General at Canton (Myers) to the Secretary of State

[Extract]

No. 223

CANTON, November 27, 1940.
[Received January 4, 1941.]*Summary*

Under the Japanese military organization in occupied areas the military are in charge of foreign relations which are, at least in the

first instance, handled by younger officers who within the scope of their duties, it is claimed on good authority, cannot generally be overruled. As throwing sidelights on this situation as well as the rather common jealousies and bickerings between the two branches of the armed forces, mention is made of friction which developed between the two services in regard to the organization of the new quarantine service and the proposal of the navy that the Customs appoint "watchers" for ships plying between Canton and neighboring ports. Information, believed to be reliable, that the Commander-in-Chief of the Japanese forces in South China was recently recalled because of the invasion of Indo-China by Japanese troops from Kwangsi is mentioned in this connection.

Japanese officers charged with handling matters pertaining to foreigners have, in the experience of this office, shown little aptitude for such duties (of which several examples are given), in the performance of which they are prone to be guided by military considerations. Their attitude toward foreign interests, which may be described as obstructive, is expressed with respect to business in restrictions including Japanese controlled monopolies wherever feasible, and reflects the Japanese propensity for the exercise of complete control.

In conclusion, it is stated that Japanese military and naval officers charged with the handling of foreign relations seem to be in no mood to give merited consideration to any matter placed before them, that they have shown a callous indifference to foreign rights and interests, American, British, French and German, that protracted discussions, petty acts, and indecision characterize the actions of these officers and that in the light of such conditions it is not surprising that a progressive deterioration of Japanese relations with foreign countries has occurred.

Respectfully yours,

M. S. MYERS

893.00/14599 : Telegram

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

CHUNGKING, November 29, 1940—noon.

[Received November 30—11:37 p. m.]

592. My 543, October 24, noon, and 561, November 6, 11 a. m.

1. From Communist sources Embassy obtained the text in translation of a document purporting to be a telegram dated November 5 (said to have been received in Chungking on November 26th) from the Commanders and Deputy Commanders of the Eighteenth Group²² and new Fourth Armies, reportedly in reply to telegrams despatched

²² Formerly Eighth Route Army.

to the Communist military leaders by the National Government in October. It would appear that the telegram from the Communist generals crossed with the message said to have been transmitted to them by General Ho Ying Chin on November 5 (paragraph numbered 1, my 561).

2. The telegram from the Communist commanders, which is couched in the customary terms of courtesy, emphasizes their desire to obey instructions and carry on a republic, expresses regret over the occurrence of recent incidents in Kiangsu and Shantung, suggests that an impartial investigator be despatched to investigate and fix responsibility, points out that the Communist armies have observed the proposals advanced by the National Government through Chou En-lai in July and August, alleges that Communist soldiers in Central China are fighting for their homes and cannot abandon them, complains that units of the new Fourth Army have been attacked in Kiangsi, Anhwei, Hupeh, Fukien, Honan and on the Kiangsi-Hunan border and describes the difficulties of maintenance of their armed forces in North China. The National Government is accordingly petitioned to permit the Communist forces to remain in their present positions on the south and north banks of the Yangtze. The telegram goes on to mention, however, that effort will be made to persuade units south of the Yangtze to comply with orders to move and asks for time to carry out this action but requests that Communist troops north of the Yangtze not be requested to move. Admission is made that the Communist armies now numbering some 500,000 men are in excess of their original strength, and it is pointed out that the Communist forces now receive maintenance for only 45,000 men—hence the organization of the anti-Japanese governments among the masses and the dependence on the people for the support of their armies. The National Government is asked to abide by its promise to recognize a numerical increase of the Communist forces and request is made for supplies of munitions, medicines, etc., none of which is said to have been received during the past 14 months. The message alludes to the unsettled conflict in regard to the number of hsien in the border region of North China, complains of the blockade of the area instituted by the National Government and of the maltreatment of soldiers and students in the Communist area and asks for a solution of these difficulties. The message concludes with a reference to external and internal intrigue and a plea for national unity, improvement of the lot of the people, abolition of corruption, etc.

3. So far as the Embassy has been able to ascertain, the Chungking authorities have not replied to the telegram from the Communist

commanders outlined in paragraph numbered 2 above but are presumably adhering to the two demands set forth in the Embassy's telegram No. 561. Meanwhile, the Embassy has received no information of any new clashes between forces of the Government and the Communists.

4. In a conversation with the Assistant Military Attaché on November 27, Chou En-lai expressed the view that even if the new Fourth Army complied with the instructions of the National Government to remove to North China it would probably be attacked by Government forces. In a conversation a few weeks ago with an officer of the Embassy, the Minister of Publicity said that the Government had abandoned its policy of "appeasing" the Communists.

5. It seems apparent from the foregoing that the chances of the Government and the Communists reaching a satisfactory and complete understanding is as remote as ever and that the chief stumbling block at this time to cooperation lies in the continued stationing of the new Fourth Army in the lower Yangtze valley area. But behind this and other disputes and the sporadic armed clashes of the two groups lies, I believe, the active and potent germ of mutual distrust and suspicion. The Kuomintang and the National Government are apparently convinced that the Communist goal is imposition of the Communist form of government in China, that it has been the Communist strategy to build to this goal in the course of the opportunity now presented by the Sino-Japanese conflict—the start of which may have been accelerated in part by Communist participation in the Sian incident⁹⁴—and that even though the prosecution of hostilities may be impeded the Government and Party must take steps to ensure that Communist ascendancy does not eventuate. The Communists for their part profess to feel that the Kuomintang and the ruling class have lost their revolutionary fervor and are hopelessly reactionary, corrupt and inefficient; that the ruling class is holding to unswerving position of the *bourgeoisie* at the expense of the toiling masses; that the Communists should be permitted to organize the masses in the struggle against Japan and that as a democratic principle the Communists should have the right freely to build up their own party and propagate their political doctrines in the ultimate interests of China and its people.

6. I am convinced from my observations that the aims of the Kuomintang and the Chinese Communists are diametrically opposed and that barring rapid Japanese victory in China the two contending groups must eventually come to grips in a military struggle for military and political supremacy. I believe that General Chiang Kai-

⁹⁴ Kidnaping of Generalissimo Chiang at the end of December 1936.

shek has at all times had in mind the necessity of a decisive conflict with the Communists and that he has to some extent been guided by this consideration in his military dispositions against the Japanese and I feel that his desire to transfer the new Fourth Army to North China is motivated at least in part by this consideration.

The same motive seems to have been reflected in governmental action in repressing communistic activities including the organization of the campaigns in the restrictions where practicable of Communist spheres of influence and in the sparing manner in which funds and military supplies have been doled out to the Communists. On the other hand it can be scarcely denied that the Communists have utilized also her [*the Government's?*] preoccupation with the struggle against Japan to occupy and organize various areas in the occupied zones, that they have resorted to propaganda favorable to their cause and inimical to the Kuomintang where feasible and that during the past year and a half they have contented themselves more with the conservation of their strength and the augmentation of their forces than in active military operations against the Japanese. It is difficult to escape the conclusion that while the Communists are desirous of frustrating a Japanese victory in China they are at the same time equally desirous of consolidating their own position to the greatest possible extent.

7. Notwithstanding the fundamental cleavage existing between the two contending factions as I see it and as I have endeavored to portray it above, I continue to adhere to the opinion that the Kuomintang and the Communists have sufficient common ground in their desire to defeat Japan to continue during the course of the Sino-Japanese conflict as they have done for the past 4 years the broad policy of compromise, to continue, in short, the fundamental schism [which?] can not be bridged and there will be clashes of aims and policy in the internal field but it would appear that a common aim in the external field will temporarily prevail over internal dissensions. But as I have indicated above, if China is able to preserve its independence vis-à-vis Japan that common ground will likely fall away and a conflict which will result in the continued supremacy of the Kuomintang as the ruling party in China or in the succession to its mantle of the Communist party seems hardly avoidable. If such a struggle should eventuate, it would seem from present indications that the Kuomintang is by virtue of its organization and military strength in a vastly superior position to the scattered and ill-equipped Communists.

Sent to Department only.

JOHNSON

893.01/846 : Telegram

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

NANKING, November 29, 1940—3 p. m.

[Received November 30—8:20 p. m.]

127. An article published in the local Chinese press this morning states that it was decided yesterday that Mr. Wang Ching-wei should assume office as "Chairman of the National Government" this morning, the necessary changes in the regulations governing the organization of the National Government having been agreed to by the "Central Political Council" in Nanking. These changes consist of modification of article XI of the regulations which prohibited the Chairman of the National Government from shouldering any actual political responsibility and article XII which forbade the Chairman to hold other concurrent official post.

The resolution appointing Mr. Wang to this new office charged the delay in filling this post since "the return of the National Government" to Nanking to "the delusion of the contumacious elements in Chungking" and stated that although Government employees of all ranks are inclined to peace they are unable to return to "the capital" owing to lack of communications. It continued that the Chairman of the "National Government" is the head of the nation, both in internal and foreign relations, and that the post has too long remained substantively unfilled and therefore proposed that it be assumed by Wang immediately.

Confirmation of the assumption of office has been received from local official contacts.

Sent to the Department. Repeated to Chungking, Peiping. By mail to Tokyo.

PAXTON

893.01/847 : Telegram

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

NANKING, November 30, 1940—11 a. m.

[Received 2:15 p. m.]

128. Japanese recognition was accorded the local regime this morning by the signature of the treaty.⁹⁵ This was followed by mutual "Manchoukuo-Nanking Government" recognition.⁹⁶ British and French Consuls would appreciate their equivalent offices in the Far East being informed in the substance of this message.

⁹⁵ For text, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 117.

⁹⁶ See *ibid.*, p. 122.

Sent to the Department. Repeated to Chungking, Peiping, and Shanghai. Shanghai please repeat to Tokyo.⁹⁷

PAXTON

893.01/848: Telegram

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

CHUNGKING, December 2, 1940—noon.

[Received December 2—6:05 a. m.]

597. With reference to the third paragraph of the Chinese Foreign Minister's statement quoted in my 595, December 1, 10 a. m.,⁹⁸ he orally informed me yesterday that representatives in Chungking of third powers according recognition to the Nanking regime would be handed their passports.

Sent to the Department. Repeated to Peiping for transmission by air mail to Tokyo.

JOHNSON

793.94/16339

*Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton)*⁹⁹

[WASHINGTON, December 3, 1940.]

[Here follows analysis of the "Treaty Signed Between Japan and the Wang Ching-wei Regime at Nanking on November 30."]

The setting up by Japan of a regime in China under its control and the conclusion by Japan of a "treaty" with that regime is in itself a violation by Japan of its obligations under the Nine Power Treaty. Also, the clauses of the treaty which give Japan a preferential position infringe obligations assumed by Japan in the Nine Power Treaty and, if carried into effect, would deprive the United States of rights assured under the most-favored-nation provisions of the treaties between the United States and China (including the multilateral Nine Power Treaty).

893.00/14600: Telegram

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

CHUNGKING, December 4, 1940—11 a. m.

[Received December 5—6:46 a. m.]

605. The situation is improved diplomatically.

1. In the international field the Hitler-Molotov conversations, the

⁹⁷ The Embassy in Japan also reported receipt of documents from the Japanese Foreign Office.

⁹⁸ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 122.

⁹⁹ Submitted to the Secretary of State.

Japanese recognition of Wang Ching-wei and the granting of further American credits to China¹ received the greatest attention. Chinese official circles displayed concern during and immediately after the Berlin discussions but as the month passed without noticeable change in the Russian policy toward China the feeling of anxiety appeared to dissipate. It was learned that Berlin had approached the Chinese Government through the Chinese Ambassador suggesting the advisability of the Chinese Government coming to terms with Japan and even joining the Axis but that the Chungking Government had not replied to this suggestion. Japanese recognition of the Wang regime had little apparent effect on Chungking. Reports of Japanese endeavors to negotiate directly with the National Government could not be confirmed. The new American credits were gratefully received and were regarded in part as an American reply to the action of Japan in according recognition to the Nanking regime and as evidence of continuing American support of China. Chinese circles professed to believe that Japan had a hand in instigating the outbreak of hostilities between Indochina and Thailand and that further Japanese moves in the Southern Pacific were in the offing.

2. The protracted exchange of views looking to the transfer of Communist units from Central to North China was reported to have continued without noticeable result. As far as could be ascertained there were no clashes between Government and Communist forces during November. The Chinese Government denounced the action of the French authorities in handing over the Chinese courts of the French Concession at Shanghai to the Nanking regime, ordered the courts to cease functioning and announced that organs in the Concession styling themselves as Chinese courts shall be regarded as illegal and their acts as invalid.² Chiang Kai-shek relinquished the chairmanship of the Szechuan Provincial Government to Chang Chun. Ku Cheng-lun was appointed Chairman of the Kansu Provincial Government; vice, Chu Shao-liang. The Japanese completed the withdrawal of their military forces from Kwangsi without noticeable interference on the part of the Chinese. The chief military activity was centered in Central and North Hupeh where four columns of Japanese troops operating on both sides of the Han River advanced in a northerly and westerly direction presumably with the object of releasing increasing Chinese pressure on the Wuhan³ area. Chinese reports were to the effect that the Japanese attacks had been repulsed

¹ See President Roosevelt's statement of November 30, Department of State *Bulletin*, December 7, 1940, p. 521.

² See pp. 727 ff.

³ Wuchang-Hankow-Hanyang.

with heavy losses. Japanese aerial activity in the unoccupied provinces was at a minimum.

3. The economic situation, chiefly featured by a further rise in commodity prices, continued to deteriorate. Although the National Government was studying remedial measures it was apparent that a definite plan had yet to be formulated to deal adequately with the problem. Chiang Kai-shek in an address to district magistrates made it plain that drastic steps would be taken to put an end to hoarding and speculation in rice. Meanwhile official distribution of low-priced rice was being made to the poor of Chungking. The construction of railways and highways continued throughout the unoccupied provinces and there was a general effort to improve communications. The building trade was active, especially in the vicinity of Chungking. Chinese currency remained stable in terms of American dollars. At a committee meeting held at Chengtu early in November the decision was made to establish the Szechuan-Sikang Development Corporation whose function it will be to develop the industrial and mineral resources of the two provinces.

Sent to Department. Repeated to Peiping.

JOHNSON

793.94119/709a : Telegram

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

WASHINGTON, December 4, 1940—9 p. m.

519. For your confidential information the American Ambassador at Moscow reports that his Japanese colleague has informed him that practically no progress has been made in the efforts of the Japanese Government toward arranging directly with General Chiang Kai-shek a peace between China and Japan.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping, Nanking.

HULL

893.01/850 : Telegram

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

CHUNGKING, December 5, 1940—noon.

[Received December 5—10: 04 a. m.]

609. In the course of informal conversation with Minister for Foreign Affairs yesterday, latter informed me that Soviet Government had informed Chinese Government [that it was?] unnecessary for Soviet Government to make a new announcement of policy at this time; that Government had already declared officially that it did not intend to extend recognition to "puppet" regime at Nanking.

He also stated that Germany, offended at retention of anti-Communist provision of Wang-Japanese treaty, was withholding action and that Italy was waiting at the instigation of Germany.

Sent to the Department.

Repeated to Peiping, Shanghai. Latter air mail to Tokyo.

JOHNSON

793.94119/709 : Telegram

The Chargé in the Soviet Union (Thurston) to the Secretary of State

Moscow, December 5, 1940—5 p. m.

[Received December 5—12:01 p. m.]

1675. The press today publishes without comment a Tass despatch from Tokyo stating that on December 1 the Japanese Vice Minister for Foreign Affairs informed the Soviet Ambassador that article 3 of the agreement concluded between Japan and Wang Ching-wei concerning the struggle against communism was in no way directed against the Soviet Union and was based solely on international considerations and does not affect in any way the desire of the Japanese Government to regulate its relations with the Soviet Union. The despatch continues that on December 4 the Soviet Ambassador on behalf of the Soviet Government made a declaration to the Vice Minister for Foreign Affairs to the following effect:

"The Soviet Government takes note of the declaration of the Japanese Government that article 3 of the treaty concluded between Japan and Wang Ching-wei is in no way directed against the Soviet Union and that it will not have any effect on the desire of Japan to regulate its relations with the U. S. S. R.

"For its part the Soviet Government considers it necessary to declare that the policy of the Soviet Union in relation to China remains unchanged."

Repeated to Tokyo.

THURSTON

711.94/1849 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*⁴

TOKYO, December 7, 1940—9 a. m.

[Received December 7—8:55 a. m.]

1282-1284. 1. In a series of recent talks with the Assistant Commercial Attaché and myself, a well known-member of the Japan Economic Federation,⁵ speaking on behalf of the person⁶ mentioned in

⁴ The three sections of this message, transmitted as telegrams Nos. 1282-1284, are printed as one document.

⁵ Teikichi Toda.

⁶ Tetsuma Hashimoto, leader of the Shiun-so.

paragraph numbered 3 of our 227, April 2, 9 p. m., whom I shall refer to as "Mr. Y", has developed at considerable length views and alleged facts which may be briefly summarized as follows:

2. All "sensible" Japanese are concerned over the recent turn in Japanese-American relations but they and other moderate leaders feel that no improvement can be expected under the present Cabinet and they are therefore working for a change. The business, financial and industrial leaders of Japan are unanimous in their opposition to the policies of the present Government. The cotton spinning interests of Osaka, for instance, were originally in favor of the military conquest of China and of economic penetration southward, but the loss of British and Netherlands colonial markets and the restrictions imposed by the Japanese authorities on shipments to the yen bloc has shown the spinners that the prosperity of the cotton industry considerably depends on favorable relations with the United States and Great Britain. This group includes even a number of high military leaders who are opposed to any movement which might lead to the conclusion of a non-aggression pact with Soviet Russia, realizing that if an understanding is reached between Japan and Soviet Russia there will be little hope for improved relations with the United States. If no improvement in Japanese-American relations follows the arrival of Admiral Nomura in Washington, the ultra-nationalists will not fail to capitalize his failure. Informant added that the "thinking" people in Japan are convinced that Mr. Matsuoka is rapidly losing his mind. From other sources I have been told that the Foreign Minister is on the verge of a nervous breakdown but in my personal contacts with him I have seen no indications to confirm such an allegation. The wish is probably more father to the thought.

3. The chief purpose of informant's visits and remarks were to enlist my support of an early visit to the United States by Mr. Y in order to sound [out] American public opinion with a view to informing the moderate groups in Japan that an improvement in Japanese-American relations, even at this late date, is possible. He is said to have a plan or idea, not disclosed, which he believes would be immediately effective if adopted. I have a strong suspicion that this plan involves American intervention with the Chungking Government with a view to an early settlement of the hostilities in China which it is held would automatically bring about improved relations with the United States.

4. I have emphatically discouraged such a visit and have refused to discuss or even to touch upon the question of American intervention in China. I have, furthermore, clearly set forth the position of the American Government concerning Japanese policy and actions as well as the present status of American public opinion with regard

thereto and the reasons therefor. Informant expressed great disappointment but appeared to be impressed, especially with my observation that the future trend of Japanese-American relations will depend upon facts, actions and realities and that any "sounding out" of American public opinion under present circumstances would be futile. Obviously the American Government and people earnestly desire good relations with Japan but not at the price which it now appears they would be expected to pay for such good relations.

GREW

893.00/14601: Telegram

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

CHUNGKING, December 7, 1940—11 a. m.

[Received December 7—10 a. m.]

612. My 592, November 29, noon.

1. A thoroughly reliable and well-informed Chinese of independent political persuasions informed an officer of the Embassy yesterday evening in confidence that although the Chinese Communists have resorted to various means to insure the retention of the new Fourth Army in central China, including personal appeals addressed to General Chiang Kai-shek through influential leaders such as Sun Fo, the Generalissimo has remained adamant in his demand that these Communist forces must remove to North China, that as a consequence of General Chiang's intransigent attitude the Communists have now reluctantly consented to the gradual movement to North China of the new Fourth Army commencing at the end of January, 1941 and that the Generalissimo has sanctioned the delayed transfer, as reported immediately above, of the Communist forces in question.

2. The informant had announced the view that the National Government and the Chinese Communists would be able to follow a policy of compromise and thus avert an open schism during the course of Sino-Japanese hostilities; and he said it is his opinion that an armed clash is not necessarily inevitable after the conclusion of the conflict with Japan though he admitted that it is a possibility. He thought that post-war Kuomintang-Communist relations might hinge largely on the attitude of Soviet Russia and the development in China of a form of democracy which would allow the Communists a measure of political self-expression.

3. The local vernacular press yesterday prominently displayed a Tass report under a Moscow date line of December 5, reporting that the Soviet Ambassador to Tokyo had informed the Japanese Vice Minister for Foreign Affairs that the "policy of the Soviet Union with regard to China remains without change." It goes without saying

that the Chinese are exceedingly pleased with this unique Russian pronouncement which I have reason to suspect was prompted by the Chinese Government. It may be well to relate also that the Foreign Minister and other Chinese officials have expressed delight mixed with astonishment that the Japanese would see fit to incorporate openly in their treaty with Wang Ching-wei provisions for the suppression of Communism (see article 3 of the treaty⁷). They feel, and perhaps rightly, that such tactics will go a long way toward preventing a Russo-Japanese *rapprochement* at the expense of the Chinese National Government.

Sent to Department only.

JOHNSON

711.94/1849 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*⁸

TOKYO, December 7, 1940—noon.

[Received December 7—9 : 55 a. m.]

1285—1289. [1.] The report contained in my 1282, December 7, 9 a. m., leads me to submit the following brief analysis of the situation as viewed by the Embassy in order to convey the picture in correct balance and perspective.

(a) The views of Mr. Y and his desire to visit the United States represent the almost despairing cry of those elements in Japan who clearly perceive the dangerous road along which the Government is now leading this country and the ultimate disaster which may lie at the end of that road. His views and proposals, however, represent a fundamental misconception of the attitude of the American Government and people and of the fact that this attitude is based upon principles deeply imbedded in the American creed and is not to be swayed by mere expediency.

It may be doubted whether even Mr. Y's contemplated visit to the United States would enable him to grasp those basic facts, because there are probably few Japanese who are temperamentally capable of grasping those facts. Certainly the great majority of Japanese interpret American policy as a blind adherence to allegedly outmoded legalistic concepts, an arbitrary resistance to any change in the *status quo* and selfish determination to prevent Japan's logical and rightful expansion. Yet many of these same people believe that Japan's interference with the tangible interests of the United States in China constitute the chief stumbling block to improved relations and they con-

⁷ *Foreign Relations, Japan, 1931—1941*, vol. II, p. 117.

⁸ The five sections of this message, transmitted as telegrams Nos. 1285—1289, are printed as one document.

vince themselves that as soon as such hostilities cease, these obstacles to good relations will be automatically removed. In these Japanese conceptions there is neither comprehension nor logic. The view has been moulded over a long period by a controlled and chauvinistic press.

(b) Ever since my arrival in this country over 8 years ago, Japanese friends of the moderate school of thought have predicted "the rainbow just around the corner" and have assured me that there existed just beneath the surface a great body of liberal opinion ready to emerge and to wrest control from the military and extremist elements if given support through some practical gestures of friendship from the United States. This is precisely what Mr. Y and his friends seek today, and it is futile to try to explain to them why the American Government and people now feel that the initiative in such a movement should come from Japan herself.

(c) That great body of moderate opinion still lies beneath the surface, but under present circumstances it is as inarticulate and powerless as ever. The present Government, which for a time was decidedly shaky, has been greatly reinforced by the recent display of support by the Ministers of War and Navy and by the inclusion in the Cabinet of Baron Hiranuma who can be counted upon to afford the strength which Prince Konoye lacks. When in due course the Government is overturned, we believe from present circumstances and indications that it will be followed by other governments equally determined to pursue Japan's chosen course to realize in "greater East Asia, including the South Seas" the position to which she considers herself entitled by virtue of her growth in the modern world as a first class but territorially and economically restricted power.

2. Turning once again to American-Japanese relations, there can be no doubt that the initiative in the control of these relations has shifted since the announcement of our Government of the partial withdrawal of Americans from the Far East. The firm, unhurried but inexorable pace of American policy, the tempo of which has remained unchanged in the steps progressively taken since the notice of abrogation of the treaty of 1911, is beginning to have its effect in Japan. There is obvious dismay at the reaction in the United States to the action of Japan in joining the Axis and especially to the provocative statements made by the Premier and the Foreign Minister immediately thereafter. The fact that the intended intimidation of the American Government and people did not materialize is now perceived, and the American loan to the Chinese National Government as an immediate answer to Japan's recognition of the Wang Ching-wei regime furnished concrete evidence to that effect. This situation has reached a point where the Japanese realize that they must act to prevent the

worst from taking place, yet they are obviously unprepared even to consider the fundamental reorientation of Japanese policy which alone could lead to an improvement in those relations. Indeed, any leader in Japan who had the temerity to suggest withdrawing from China and abandoning the dreams of southward advance would immediately be discredited and such a suggestion by a responsible leader would be utterly unthinkable.

The vicious circle in American-Japanese relations is complete. Admiral Nomura's appointment to the Washington Embassy, which was accepted only after repeated and determined personal efforts by the Foreign Minister, represents what may prove to be the final effort on the part of those at present in control of Japan's policy to save American-Japanese relations from disastrous deterioration, but that the new Ambassador will be empowered to give undertakings which would involve abandonment of Japan's objectives in China or which would arrest permanently the southward advance would appear to be out of the question.

3. Repeating the views conveyed in our telegram No. 827, September 12, 9 p. m.,⁹ I believe that while the continuance of a firm policy by the United States will involve inevitable risks, nevertheless a policy of *laissez faire* would lead to future dangers of far greater magnitude.

4. In this general connection, reference should be made to my despatch No. 5135, November 13¹⁰ (due in Washington about December 14), transmitting an admirable report by the Commercial Attaché on the economic, industrial, financial and other current phases of the situation in Japan.

GREW

893.01/851 : Telegram

The Chargé in the Soviet Union (Thurston) to the Secretary of State

Moscow, December 7, 1940—3 p. m.

[Received 5:10 p. m.]

1689. The Soviet press has up to the present refrained from any editorial comment concerning the Wang Ching-wei "government" or the declaration made by the Soviet Government through its Ambassador to Japan concerning the Soviet attitude in relation thereto, reported in the Embassy's 1675, December 5, 5 p. m. A Tass despatch from Berlin published this morning cites the statement of a member of the German Foreign Office at a press conference to the effect that the German Government continues to recognize the Chiang Kai-Shek

⁹ *Post*, p. 599.

¹⁰ Not found in Department files.

government in the same manner as Japan continues to maintain relations with the refugee Government of Holland.

The declaration of the Soviet Government that its relation to China remains unchanged should, it is believed, be regarded solely in its relation to the Wang Ching-wei "government" and not as an indication of future Soviet attitude towards China or as indicative of Soviet intentions in regard to a possible agreement with Japan.

THURSTON

711.94/1850: Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*¹¹

Tokyo, December 8, 1940—noon.
[Received December 8—9: 53 a. m.]

1296-1300. Embassy's 1282, December 7, 9 a. m.

1. After the despatch of our telegram under reference, the member of the Japan Economic Federation, mentioned in paragraph numbered 1 thereof, called on me again on behalf of Mr. Y and further developed the situation, as follows:

2. Mr. Matsuoka had persuaded the Prime Minister and his colleagues in the Cabinet, including the Ministers of War and Navy,¹² of the wisdom of joining the Axis by categorical assurances that this step would cause the American Government and people to cease opposing Japan's program and the creation of a "new order in East Asia". The members of the Government now realize that they were misled by the Foreign Minister who had wrongly diagnosed the psychology and attitude of the American Government and people, but they and other influential people in Japan, including high military officers, are without accurate information concerning the American attitude and are unable to obtain such information from the Foreign Office because Mr. Matsuoka is unwilling to disseminate, even to his colleagues, information which might prove his former assurances erroneous and his policy unsound.

3. In view of this situation, informant states, it is regarded as of the highest importance that a Japanese not occupying official position but who commands the confidence of influential officials in Japan should visit the United States in order to sound out American opinion at first hand and to report accurately on his return to Japan. I have reason to believe that Mr. Y does enjoy that confidence. At any rate, informant states categorically that the Prime Minister, the War and Navy Ministers and General Muto, President of the Military Affairs

¹¹ The five sections of this message, transmitted as telegrams Nos. 1296-1300, are printed as one document.

¹² Gen. Hideki Tojo and Adm. Koshiro Oikawa.

Bureau of the War Ministry, who is regarded as one of the most influential officers in the army, have all expressed their desire that Mr. Y should visit the United States. It is pointed out that such a visit and report by any Japanese having personal or business interests in the United States or who is regarded as pro-Anglo-Saxon would be valueless and futile. Mr. Y is known as having intense retaliatory [*reactionary?*] views and sentiments and it is therefore felt here that his eventual report on American opinion would be wholly objective and unbiased.

4. I had previously given informant photostats of several editorials from important American newspapers indicating the preponderant attitude of the American people towards Japan's policy and actions. Informant states that he showed and translated these editorials to some of the officials and officers mentioned above and that they had expressed astonishment that they had been so completely misled with regard to the facts and views set forth therein. According to informant, this had strengthened the desire of those officials and officers that Mr. Y should proceed as soon as possible to the United States.

5. Mr. Y has written me a long letter in which he discusses the danger of war between the United States and Japan if the situation is allowed to drift as it is doing. He begs that the United States should try to understand the real Japan but he states (in translation) that "having read through the clippings of the American papers I frankly admit that the strong feelings of American citizens towards this country after the conclusion of the Triple Alliance are just and reasonable, and if I were an American I should have felt the same way. Therefore Ambassador Grew's contention that until and unless Japan actually changes her attitude there can be no room for the adjustment of American-Japanese relations is, I believe, by no means unreasonable." The writer acknowledges that it will be a long time before the Konoye Cabinet, which concluded the Tripartite Alliance, will be able to adjust relations with the United States through Admiral Nomura. "Under these circumstances," he writes, "I am anxious to sound out the views and opinions of high American statesmen in order that I may be able to obtain such materials as will be useful to determine the direction which the Japanese Government should follow in the future." It is obvious that the writer desires to see the President and the Secretary of State as well as prominent Senators, editors et cetera. Informant states, however, that Mr. Y, in view of my original advice, would confine himself chiefly to listening to and absorbing the American advice rather than to explaining the Japanese position.

6. I have carefully explained to informant why it would be difficult for Mr. Y to be received by high American officials without the support of the Japanese Embassy in Washington, and I decline to alter my

original discouragement of his plans. I am inclined to feel, however, in view of Mr. Y's strong influence and wide contacts in Japan and in spite of the opinions expressed in my 1282, December 7, 9 a. m., that some advantage might accrue if he were to proceed to the United States without American official encouragement and were to obtain even a limited grasp of American personal opinion through unofficial contacts in our country. It is apparent [*In addition?*], my British colleague, who knows Mr. Y well and is aware of his standing and influence in high official circles, has strongly urged upon me the advantage of such a visit.

7. If the Department believes that in the light of these new considerations Mr. Y's proposed visit to the United States would at least be unobjectionable, I suggest that I be authorized to inform him that while the Embassy can give him no official encouragement, on the other hand no objections would be raised if he should decide to proceed with his plans. I am viewing this matter solely from the angle in Japan and shall be guided by the Department's appraisal of the American angle. The matter seems to me sufficiently important to justify this long exposition.

8. Please instruct.

GREW

793.94119/711 : Telegram

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

PEIPING, December 11, 1940—noon.
[Received December 13—10 a. m.]

513. Doctor Leighton Stuart confidentially informed the Embassy yesterday that on December 9 he met by appointment at the Japanese Embassy here Mr. Yamada, chief of the First Section of the East Asia Bureau of the Japanese Foreign Office who had flown here from Tokyo. Mr. Yamada visited Peiping last summer when he discussed with Dr. Stuart the possibilities of Japanese-Chinese peace, and the present conversation, held at Mr. Yamada's request, was a continuation of the previous talk. There follows a summary of Dr. Stuart's memorandum of the conversation:

Mr. Yamada described how vigorously Mr. Matsuoka had labored to obtain approval to negotiate directly and officially with General Chiang Kai-shek, following which he had sent Mr. Tajiri, chief of the East Asia Bureau, to Hong Kong in the hope that this might be accomplished before it became necessary to recognize Wang Ching-wei's government. He explained somewhat apologetically that the Japanese had promised Wang that they would not postpone such recognition beyond November 30.

In view of all this, General Chiang could not accept any assurances that the Japanese did not intend to interfere with Chinese sovereignty.

Mr. Yamada then inquired why General Chiang refused even to meet any of their representatives, and I answered that when I saw him last, in March 1940, General Chiang had given two reasons for this refusal; firstly, that he could not trust their delegates in view of their record, and, secondly, that he could not be assured that any of their delegates could really speak for the whole Japanese nation. To his question whether General Chiang could himself speak for China, I answered that he could, not because of any dictatorial authority he possessed but because he was considered by the Chinese nation as the incarnation of the popular will. I explained to Mr. Yamada that the Japanese recognition of Wang's regime, or even the existence of such a regime, was not the real issue and had no real significance, for all such forms were only a creation of the Japanese military and under their control either directly or indirectly. I said that the only way in which China's independence could be assured would be by the withdrawal from Chinese territory of all Japanese armed forces, and that, even if any Japanese delegate could succeed in meeting the General, this would be his inevitable reply. The Japanese problem was therefore among themselves in Tokyo, but that as soon as General Chiang could be assured that Japan was genuinely willing to withdraw all troops, peace discussions could easily be arranged.

Finally, I told him that after trying to interpret General Chiang's attitude, I would venture some advice of my own, as one who wished for peace between Japan and China and who also believed that this was entirely feasible. I said that the Japanese could either continue the policy of force, and try to conquer and control all China for their own purposes, or they could attempt the policy of friendly relations, respecting the territorial and administrative integrity of China and gaining all legitimate benefits. The Japanese were, however, now trying to combine the two methods and obtain the advantages of both; this attempt was doomed to failure. I pointed out that if they followed the second policy, they would be able to restore good relations with the United States which was interested primarily in a stable peace in the Pacific; such a peace, I remarked, required a strong and independent China. Furthermore, if China and Japan joined in voluntary association, there would be no fear of any other foreign aggression.

I gave Mr. Yamada a set of questions which I had prepared for another Japanese who had come to Peiping on a similar mission, and after reading them he said that he would like to consult Mr. Matsuoka as to how they should be answered. I commented that these answers would help Japan, which was a prerequisite for any kind of negotiated peace.

A résumé of the ten questions will be transmitted by separate telegram.¹³

¹³ Telegram No. 514, December 14, 2 p. m., not printed.

It is understood that Mr. Yamada is expected shortly to fly back to Tokyo.

Sent to the Department. Repeated to Chungking, Shanghai, Tokyo.

SMYTH

711.94/1850: Telegram

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

WASHINGTON, December 12, 1940—6 p. m.

537. Your 1300, December 8, 4 p. m.,¹⁴ and series of telegrams immediately preceding in regard to the desire of Mr. Y to visit the United States.

You are authorized to inform Mr. Y that no objections would be raised if Mr. Y should decide to proceed with his plans.

The Department understands, of course, that Mr. Y would not be coming to the United States on any good-will mission, that he would come entirely in a private capacity; and that his purpose would be to inform himself in regard to American opinion, official and private, on Far Eastern questions. Should he come, officers of the Department would be glad to see him and to offer, should he so desire, suggestions as to how he might best obtain accurate knowledge in regard to American opinion.

We feel that publicity should be avoided and that if Mr. Y makes the trip it is important that he understand that the trip is being made not upon the initiative and responsibility of the Department or of your Embassy.

HULL

893.01/852: Telegram

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

CHUNGKING, December 13, 1940—1 p. m.

[Received 2: 12 p. m.]

620. My 597, December 2, noon. During a conversation yesterday between the Italian Chargé and an officer of the Embassy, the former stated that his Government had no intention of recognizing the Nanking government at present. He added that he had been somewhat worried about this matter due to the difficulty he would encounter in leaving Chungking. From the general trend of his remarks it was gathered that he has received definite word from Rome of its intention not to recognize the new regime.

Sent to the Department, repeated to Peiping, latter mail to Tokyo.

JOHNSON

¹⁴ *Ante*, p. 464.

711.94/1900½

*The Ambassador in Japan (Grew) to President Roosevelt*¹⁵

Tokyo, December 14, 1940.

DEAR FRANK: I would give a great deal to know your mind about Japan and all her works. It seems to me to be increasingly clear that we are bound to have a showdown some day, and the principal question at issue is whether it is to our advantage to have that showdown sooner or to have it later.

The chief factors in the problem would seem, from this angle, to be:

- (1) whether and when Britain is likely to win the European war;
- (2) whether our getting into war with Japan would so handicap our help to Britain in Europe as to make the difference to Britain between victory and defeat; and
- (3) to what extent our own policy in the Far East must be timed with our preparedness program and with respect to the relative strength of the American and the Japanese Navies now and later.

Those are questions which, with our limited information here, I am not qualified even approximately to answer.

From the Tokyo angle we see the picture roughly as follows:

After eight years of effort to build up something permanently constructive in American-Japanese relations, I find that diplomacy has been defeated by trends and forces utterly beyond its control, and that our work has been swept away as if by a typhoon with little or nothing remaining to show for it. Japan has become openly and unashamedly one of the predatory nations and part of a system which aims to wreck about everything that the United States stands for. Only insuperable obstacles will now prevent the Japanese from digging in permanently in China and from pushing the southward advance, with economic control as a preliminary to political domination in the areas marked down. Economic obstacles, such as may arise from American embargoes, will seriously handicap Japan in the long run, but meanwhile they tend to push the Japanese onward in a forlorn hope of making themselves economically self-sufficient.

History has shown that the pendulum in Japan is always swinging between extremist and moderate policies, but as things stand today we believe that the pendulum is more likely to swing still further toward extremes than to reverse its direction. Konoye, and especially Matsuoka, will fall in due course, but under present circumstances no Japanese leader or group of leaders could reverse the expansionist program and hope to survive.

¹⁵ Copy transmitted by President Roosevelt on January 3 to the Secretary of State with notation: "Will you personally prepare a reply for my signature? F.D.R."

Our own policy of unhurried but of inexorable determination in meeting every Japanese step with some step of our own has been eminently wise, and that policy has sunk deep into Japanese consciousness. But while important elements among the Japanese people deplore the course which their leaders are taking, those elements are nevertheless inarticulate and powerless and are likely to remain so. Meanwhile the Germans here are working overtime to push Japan into war with us. I have told Matsuoka point blank that his country is heading for disaster. He has at least seen that his efforts to intimidate us have fallen flat and have had an effect precisely the reverse of that intended.

It therefore appears that sooner or later, unless we are prepared, with General Hugh Johnson,¹⁶ to withdraw bag and baggage from the entire sphere of "Greater East Asia including the South Seas" (which God forbid), we are bound eventually to come to a head-on clash with Japan.

A progressively firm policy on our part will entail inevitable risks—especially risks of sudden uncalculated strokes such as the sinking of the *Panay*¹⁷ which might enflame the American people—but in my opinion those risks are less in degree than the far greater future dangers which we would face if we were to follow a policy of *laissez-faire*.

In other words, the risks of not taking positive measures to maintain our future security are likely to be much greater than the risks of taking positive measures as the southward advance proceeds. So far as I am aware, the great majority of the American people are in a mood for vigorous action. The principal point at issue, as I see it, is not whether we must call a halt to the Japanese program, but when.

It is important constantly to bear in mind the fact that if we take measures "short of war" with no real intention to carry those measures to their final conclusion if necessary, such lack of intention will be all too obvious to the Japanese who will proceed undeterred, and even with greater incentive, on their way. Only if they become certain that we mean to fight if called upon to do so will our preliminary measures stand some chance of proving effective and of removing the necessity for war,—the old story of Sir Edward Grey¹⁸ in 1914.

If by such action we can bring about the eventual discrediting of Japan's present leaders, a regeneration of thought may ultimately take

¹⁶ Resigned from military service in 1919. In 1940 he was a newspaper and radio commentator.

¹⁷ On December 12, 1937, the *Panay*, a United States river gunboat, was bombed and sunk by Japanese airplanes while it was on the Yangtze River above Nanking. For correspondence, see *Foreign Relations*, 1937, vol. IV, pp. 485 ff. and *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 517 ff.

¹⁸ British Secretary of State for Foreign Affairs at outbreak of World War I.

shape in this country, permitting the resumption of normal relations with us and leading to a readjustment of the whole Pacific problem.

In a nutshell that is about the way I regard the present and future situation. No doubt you have seen some of my telegrams which have tried to paint the picture as clearly as has been possible at this post where we have to fumble and grope for accurate information, simply because among the Japanese themselves the right hand often doesn't know what the left hand is doing. Their so-called "New Structure" is in an awful mess and the bickering and controversy that go on within the Government itself are past belief. Every new totalitarian step is clothed in some righteous-sounding slogan. This, indeed, is not the Japan that we have known and loved.

If you are willing to give me even a cue to your thoughts, either in a personal ultra-confidential letter or orally by some trustworthy person coming out here, it will be of tremendous help.

I cabled you my enthusiastic and affectionate congratulations on your re-election. You are playing a masterly hand in our foreign affairs and I am profoundly thankful that the country is not to be deprived of your clear vision, determination and splendid courage in piloting the old ship of state.

Faithfully yours,

JOSEPH C. GREW

893.00/14605: Telegram

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

CHUNGKING, December 16, 1940—noon.

[Received December 16—6:40 a. m.]

622. My 612, December 7, 11 a. m., paragraph numbered 1.

1. The Chinese informant mentioned in my 561, November 6, 11 a. m., informed our Assistant Military Attaché on December 13 that the Communist forces now quartered in Anhwei and Kiangsu have been instructed to move north of the Yangtze by the end of December and north of the Yellow River by the end of January; that the Communists have agreed to move their forces now south of the Yangtze but that they have indicated unwillingness to move north of the Yellow River because transfer of the forces in the winter presents too many difficulties; and that the matter of the transfer of these forces to areas north of the Yellow River accordingly remains unsettled and that the Central Government has not yet decided what measures are to be taken to reach a definitive settlement.

2. The Embassy has now obtained copy of a telegram allegedly sent by Yeh Ting, commander of the new Fourth Army, to the authorities in Chungking on December 7 which indicated that the new Fourth Army will move northward but is delaying this action pending the

A reply was drafted

receipt of pay in arrear, funds for winter uniforms, pensions for the wounded and killed, ammunition, and increased maintenance expenses.¹⁹

JOHNSON

711.94/1885 : Telegram

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

TOKYO, December 20, 1940—8 p. m.

[Received December 20—1:30 p. m.]

1354. Department's 537, December 12, 6 p. m., Mr. Y. I have conveyed through the informant who has acted as a go-between for Mr. Y and myself the substance of the Department's telegram under reference.

Informant called again a few days later and stated that Mr. Y had considered as reasonable all the points brought to his attention. He expressed his appreciation of the Department's attitude and recognized the importance that publicity be avoided. He informed me that, with a view to arranging his plans, he would immediately approach the Prime Minister, War and Navy Ministers and other high authorities including Admiral Nomura. He had been urged by Count Kaneko²⁰ to proceed at once, usual course might delay; in any event he said that I would be kept informed of his plans.

GREW

893.00/14610 : Telegram

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

CHUNGKING, December 23, 1940—noon.

[Received December 23—8 a. m.]

632. My 622, December 16, noon, and previous telegrams on National Government-Communist relations.

1. Reports recently circulating in Chungking to the effect that the British Ambassador has orally expressed to General Chiang Kai-shek the hope that means will be found to effect an amicable solution of the issues pending between the National Government and the Chinese Communists have now been confirmed by an officer of the British Embassy. It is understood that the Soviet Ambassador has communi-

¹⁹ In despatch No. 2996, September 25, 1944, the Ambassador in China, Gauss, reported that Gen. Ho Ying-chin "a few days ago" had handed him a long telegraphic reply dated December 8, 1940, accusing the Communist forces of violating orders, ignoring instructions, and otherwise disrupting military policy in the war of resistance against Japan (893.00/9-2544).

²⁰ Member of the Japanese Privy Council.

cated a similar expression of hope to the Generalissimo, but this lacks confirmation.

2. I have recently received intimations from private sources close to local Communist circles that it would be helpful if I too would approach the Generalissimo along similar lines; that such representations might prove effective in preventing the widening of the schism between the National Government and the Communists. I have and shall refrain from any such action, however, as it is my attitude that the conduct and development of the relations between the Chungking Government and the Chinese Communists are problems of an internal character; that these problems should be settled by the Chinese authorities concerned; and that we should refrain from intervention in the settlement of the issue.

Sent to the Department only.

JOHNSON

893.00/14611 : Telegram

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

HONG KONG, December 23, 1940—noon.

[Received December 23—8:18 a. m.]

497. Well-known American political commentators recently returned from Chungking where they talked to leaders of both Central Government and Communist factions state that they regard civil war as imminent. Communist armies believe they are being ordered into famine-ridden garrison areas away from their own strongholds in order to weaken or destroy them, while Central Government insists on execution of order as a matter of discipline. The order is widely attributed to Generals Ho and Pai,²¹ and it has been suggested that the situation could be saved by intervention of Generalissimo.

Evidencing the effect of the present impasse on Chinese morale, it is now being said among local Chinese of unquestioned patriotism that thousands of the young Chinese who have attempted to join the Communist armies in the last year are in Central Government concentration camps in the interior, and it is even predicted that if some solution is not found "there will have to be another Sian".²²

Sent to the Department. Repeated to Chungking and Peiping.

SOUTHARD

²¹ Gen. Ho Ying-chin and Gen. Pai Chung-hsi, Chief of Staff and Deputy Chief of Staff, respectively.

²² Chiang Kai-shek was seized and held in detention at Sian December 12-25, 1936; see *Foreign Relations*, 1936, vol. iv, pp. 414-455, *passim*.

893.00/14614 : Telegram

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

HONG KONG, December 24, 1940—5 p. m.

[Received 5:30 p. m.]

500. Reference my 497, December 23, 11 a. m. [noon?]. Reliable agent in Hong Kong of the Chinese states that he has been confidentially informed that the Communist forces have now agreed to [move to?] new garrison areas but have asked for more time in which to effect move. He believes that actual clash is avoidable but considers civil war certain on conclusion of present hostilities.

Sent to the Department. Repeated to Chungking and Peiping.

SOUTHARD

711.94/1891 : Telegram

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

TOKYO, December 27, 1940—6 p. m.

[Received December 27—9:40 a. m.]

1383. Embassy's 1354, December 20, 8 p. m.

1. Mr. Y informed me in an hour's talk today that he has discussed his plans with the Prime Minister, the Ministers of War, Navy, Home Affairs and Justice, and other high officials, all of whom approve his visit to the United States. The Minister for Foreign Affairs at first refused to issue passports to himself and party but was finally persuaded by his colleagues to do so. Passports were visaed by the Consulate General. Party composed of Mr. Y, one secretary and "informant" will sail tomorrow for San Francisco by *Nitta Maru*. I have given Mr. Y a personal letter of introduction to Dr. Hornbeck.

2. Mr. Y states that he and his party will give out no publicity. He is, however, aware that certain elements, especially certain subordinates in the Foreign Office and other Ministers, are opposed to his going to the United States and may seek to make trouble.²³

GREW

893.00/14615 : Telegram

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

CHUNGKING, December 28, 1940—11 a. m.

[Received 2:07 p. m.]

638. My 622, December 16, noon, Kuomintang-Communist relations.

1. General Shang Chen, Hake [*who is?*] now Director of the

²³ The Department informed the Ambassador in Japan in telegram No. 129, February 25, 1941, 7 p. m., that Tetsuma Hashimoto and Teikichi Toda "left Washington on February 20 after having had a series of conversations with certain officers of the Department." (711.94/1896)

General Office of the Military Affairs Commission in Chungking, yesterday informed an officer of the Embassy that there has been no recent marked change in Kuomintang-Communist relations. He asserted, however, that in addition to the new Fourth Army, which has been instructed to complete its transfer north of the Yellow River by the end of January, those Eighteenth Group Army units now quartered south of the Yellow River have been instructed to move north of that stream by the end of the present month. He went on to say that the Communist forces concerned had indicated that they would comply with the instructions of the central authorities but that they had requested a time extension which the Central Government is considering. He did not indicate what action if any the Communist forces have already taken to comply with the demands of the Government. General Shang emphasized that the chief desideratum of the National Government is that the Communist units shall comply with its instructions; otherwise they must be regarded in the same category as bandits. He declared that the Communist forces have been inactive against the Japanese, citing the Japanese construction of the railway from Tehchow to Shihchiachuang as evidence; and that the Communists have constantly been expanding their control in the so-called occupied areas and spreading propaganda. He went on to say the National Government could no longer tolerate these actions on the part of the Communists and indicated that the present plans of the Government for the removal of the Communists from Central China are directly related to this problem. He also asserted that the Communist military leaders are willing to comply with the orders of the Chungking Government and that it is chiefly the Communist civilian authorities headed by Mao Tse Tung who are adopting obstructive tactics.

2. It is the Embassy's view that since it seems now physically impossible for the various Communist units to comply with the transfer demands of the Government within the set time limit, the latter will probably grant a time extension. It seems not unlikely that if the Communists actually commence to move northward—as they probably will—several months must elapse before the transfer can be completed.

JOHNSON

893.0146/884

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

[WASHINGTON,] December 28, 1940.

Captain Schuirmann²⁴ handed to me yesterday the paper here

²⁴ Capt. Roscoe E. Schuirmann, Office of the Chief of Naval Operations.

attached²⁵ He said that the recommendations envisaged reduction in numbers of the Marine Guard at Peiping and at Chingwangtao and complete withdrawal from Tientsin.

I gave a brief outline of our thought and policy on the subject of withdrawal of American nationals and withdrawal of the landed armed forces. I said that I perceived no objection to reducing the numbers of the Guard at Peiping and at Chingwangtao as indicated, but that I would recommend strongly against a complete withdrawal from Tientsin. I suggested that instead of withdrawing 11 officers and 182 men from Tientsin they make withdrawal of approximately half that number. I pointed out that Admiral Hart has reported that he is reducing the numbers at Peiping and Tientsin by a process of normal attrition (non-replacement). I said that we need continuance of a reasonable number of marines at each of the three points until such time as we might wish to make a sweeping evacuation. I mentioned the fact that the Marines had been of substantial assistance recently when a considerable number of our civilian nationals were coming out from Peiping and Tientsin via Chingwangtao.

Captain Schuirmann said that he would report to Admiral Stark on what I had said²⁶

S[TANLEY] K. H[ORNBECK]

893.00/14610 : Telegram

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

WASHINGTON, December 28, 1940—6 p. m.

216. Your 632, December 23, noon. While the Department concurs in the attitude you have adopted in refraining from making any approach to General Chiang Kai-shek which might assume the color of representations, it is the Department's opinion that you might, on some appropriate occasion, make inquiry of General Chiang in regard to reported difficulties with the Chinese Communists and express to him this Government's continuing interest in Chinese unity which has, as you are aware, comprised one of the principal factors in our policy toward China.

Sent to Chungking only.

HULL

²⁵ Not printed.

²⁶ On January 31, 1941, the Adviser on Political Relations (Hornbeck) noted that Captain Schuirmann had informed him that the matter had been "settled by decision of the President." In May the Marine strength in North China was reduced from 375 to 250.

893.00/14631

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

No. 740

CHUNGKING, January 3, 1941.

[Received January 21.]

SIR: I have the honor to transmit for the records of the Department a copy of a letter dated December 19, 1940,²⁷ addressed by Major Evans F. Carlson, U. S. M. C. (resigned), to Dr. Stanley K. Hornbeck, Adviser on Political Relations of the Department, in which the former offers his observations and conclusions in relation to a three-months' trip he has just completed through unoccupied portions of the provinces of Kwangtung, Kiangsi, Fukien, Chekiang, Anhwei, Hunan, Kwangsi, Kweichow and Szechuan. Major Carlson who, it will be recalled, made an extended journey through the guerrilla areas of North China in the summer of 1938, was accompanied on his present trip by Mr. Rowi Alley, adviser to the Chinese Industrial Cooperatives.

Major Carlson offers the conclusion that the present trend in China is toward "fascism" for the following reasons: (1) the desire of the Kuomintang leaders to perpetuate themselves in power; (2) alleviation of fears of rightist elements of the Kuomintang that Japan would obtain control of China and replacement thereof by fear of a "popular movement"; (3) German successes in Europe; (4) strengthening of the so-called Chen Brothers Group by increasing support from the "Political (Science) Group", as well as the outward success of the Wang Ching-wei regime; and (5) lack of faith on the part of so-called "democratic groups" that the United States would lend more than nominal aid to China. Major Carlson also suggests that the administrators of the eastern provinces have increased their power as a result of the Sino-Japanese conflict; he makes note, moreover, of the infiltration of Japanese goods. In evaluating the trends as he observed them, Major Carlson considers that they have brought about "a serious disruption of the united front" and that the communist armies have been "isolated from the rest of China". He offers the suggestion that the United States should, in granting more aid to China, exact definite assurances that there will be no compromise with Japan; and that the United States should lend support to organizations in China which are "laboring to acquaint the people with the fundamental principles of democratic processes".

I should like to offer the following comment in regard to the various observations and conclusions of Major Carlson.

²⁷ Not printed.

With regard to point 1) I share Major Carlson's view that the leaders of the Kuomintang wish to ensure their own retention in power; that is only normal and natural, as he has indicated. But it is difficult to subscribe to the statement that the leaders of the Kuomintang have not initiated "any measures designed to promote representative government". Prior to the beginning of the Sino-Japanese conflict the present Kuomintang-sponsored Government was generally credited with appreciable progress in the way of reforms. That Government has always professed to have before it the goal of a San Min Chu I²⁸ democracy—a constitutional democracy—and, insofar as I have been able to ascertain, that is still the goal of the Government after three and one-half years of struggle against Japanese aggression. Following the outbreak of hostilities the Government established the People's Political Council with limited advisory powers; recently the council has been enlarged and its powers enlarged. The communists and the various other Chinese political parties as distinguished from the Kuomintang are represented in the Council. Moreover, at the last plenary session of the Central Executive and Central Supervisory Committees of the Kuomintang a resolution was passed to convoke the People's National Congress and enact a constitutional form of Government. Unfortunately, owing to many difficulties and dangers it has not yet been found practicable to convene the Congress; the latest reports are to the effect that the Congress is to be convened within a few months of the cessation of hostilities. In his latest official pronouncement,* made on December 31, 1940, Generalissimo Chiang Kai-shek said in part when dwelling on the subject of reconstruction: "Ultimately the goal is complete realization of the Three People's Principles and the establishment of the Five Rights Constitution". The Chinese communists have complained of restrictions against their activities, and it is believed that these complaints are partially based on fact; but it would appear that restrictions of a political character are no more stringent than was the case before the outbreak of the Sino-Japanese conflict. In some respects they are less stringent: for example, the communists are permitted to publish a daily newspaper and other periodicals in Chungking and to establish communist offices in various cities in the unoccupied provinces.

Rather than carry out the practices alluded to in the paragraph immediately preceding, the Central authorities might have been expected to seize upon the pretext of large-scale hostilities and a life-and-

²⁸ Three People's Principles, of Dr. Sun Yat-sen.

* Embassy's telegram No. 1, January 1, 11 a. m. [Footnote in the original; telegram not printed.]

death struggle to add to their own powers, to extinguish so far as practicable all political opposition. But these have not occurred. On the contrary, the Chinese communists have been permitted to keep their own armies intact in specially designated areas. Attempts to regiment the people, to ration the necessities of life, to force the public to subscribe to bonds, to requisition their properties—all these and many other totalitarian methods of prosecuting warfare have experienced minimum utilization in China during the present struggle. The central authorities have apparently preferred to “muddle along” rather than endeavor to change the life currents of the people through the machinery of official control. It is my view that since the fall of the Manchu dynasty and the collapse of the traditional Chinese concept of government the Chinese people have been feeling their way along toward a new, evolving form of government. A definitive form of government has not yet been established and may not be established for decades; it may or may not be in the form of a democracy, but it will be a type of government that will be adapted to the needs of China and its people. It is doubtful whether in establishing a durable form of government the Chinese will be so much influenced by foreign concepts as by their own innate requirements.

With regard to point 2) of Major Carlson's conclusions, I suggest that the “rightist” groups of the Kuomintang, in common with the so-called “leftist” and “moderate” elements of that organization and the communists and other political factions, all feel that China's chances of ousting Japan from China are better now than at any time since the start of the conflict, largely owing to the change in the international groupings of the Powers and the increasing possibility of foreign aid to China. Of course, as Major Carlson hints, it seems scarcely deniable that the better the possibility of the present Government's defeating Japan, the more freedom it will be the Government's to dictate its desiderata to the Chinese communists whom they regard as possessed with the overweening ambition to govern and control China.

With reference to the so-called cliques within the Kuomintang, it is my observation, though I have no supporting evidence, that the power and influence of the groups, perhaps exaggerated in the past, has been more or less in eclipse since the Sian Incident and especially since the start of the Japanese military attack on China. In the very beginning of the conflict, the so-called “pro-Japanese” elements either repudiated their Japanese leaning or lost their influence in China. And the so-called Wang Ching-wei group, usually regarded in the period preceding hostilities as being inclined toward compromise with Japan, was of course shattered with the flight from Chungking of Wang Ching-wei. It is true that the Chen brothers, Li-fu and Kuo-

fu, remain in Chungking and that they are cordially hated by the Chinese communists; but is believed that their power and influence here are perhaps much less than formerly in Nanking, for they have been uprooted from Kiangsu, the province in which they wielded much power. Chen Li-fu, as Minister of Education, is in a position to influence the thoughts of the younger generation, but it may be suggested that this power is not all-inclusive or decisive. Of the various cliques said to exist in the Kuomintang, it would appear that the so-called "Wangpoo" or military faction is at present most influential in the councils of General Chiang Kai-shek. This group or faction is, of course, bitterly hostile to the Chinese communists; but like the communists it wishes to continue resistance to Japan until the latter is forced to withdraw from China. But it seems clear that the influence of any of the cliques or of their leaders pales in significance besides that of the Generalissimo. Today his influence is decisive in the deliberations of the Kuomintang, it is he who makes the final decisions. As he has grown in stature, as he has come to be recognized as the symbol of united resistance to Japanese encroachment, so has the influence of the various cliques seemingly waned.

In the absence of a definition it is difficult to discuss the question of a "strong popular movement" in China. If by that is meant the mass mobilization or regimentation of the people, as has been advocated by the Chinese communists, it would appear that the Kuomintang and the National Government are not overly enthusiastic. It is true that the Generalissimo has sponsored the "spiritual mobilization movement" and the San Min Chu I Youth Corps, but it would seem that these manifestations of a popular-movement character were designed to counteract communist activities in that field and have not been rewarded by any concrete success. The most marked accomplishment in the way of promoting a mass movement appears to have been achieved in fostering popular antipathy toward Japan, but that seems to have been more the result of actions on the part of the Japanese than of positive acts on the part of the Kuomintang and the National Government. It is difficult to ferret out the real reason why the central authorities have done little to foster a popular movement in China. It may be because of fear, as Major Carlson suggests, or it may be because of some other reason which is not so apparent. It may be because of apathy or of a conscious shrinking from such a tremendous and momentous task; or it may spring from a feeling that the mass mobilization is not desirable or not called for at this time. Perhaps I have left the impression that the national authorities and the Kuomintang are wholly opposed to any movement of a popular character. Such an impression would seem scarcely correct; for the National Government has fostered various types of cooperatives,

has encouraged various hsien experiments, and has re-established the traditional "Pao Chia" system. It might be more correct to assert that the Kuomintang and the National Government are desirous of not encouraging popular movements of a political character that might menace its security or enable another political party to ascend to power.

With reference to conclusion 3), I believe that it would be correct to say that last June, July and August, at a time when Germany was sweeping all before it in Europe and when the attitude and policy of the so-called democracies toward China was unclear, there was a segment of influential opinion in China which wished to abandon China's policy of pinning dependence on the United States and Great Britain for a policy of alignment with Germany and the Axis. However, demonstrated British ability to resist a German invasion of England, the signing of the Tripartite Pact, the re-opening of the Burma road, the continued non-change in the Soviet Russian attitude of cooperation with China, and the decision of the United States and Great Britain to afford China certain assistance,—all these factors served to commit China to a firm policy of continued resistance to one of the Axis Powers—Japan—and to a more certain policy of collaboration with those Powers which have indicated willingness to aid China. Accordingly, German influence in China has waned and at present is of little consequence. Chinese public opinion tends to classify German aims and objectives with those of Japan. It would seem at this time that German actions in Europe, far from fostering fascism in China, are tending to discourage it.

Point 4), as enumerated by Major Carlson, has been discussed in part above. Concerning the reference to the "outward signs of success which are being manifested by the Wang Ching-wei government at Nanking", it would appear that, since the publication of the Abe-Wang "treaty" of November 30, 1940, revealing the Japanese determination not to disgorge gains acquired in China and the willingness of Wang to sign away China's attributes of sovereignty without receiving anything in return, the antipathy and contempt of the average Chinese toward Wang and his regime is higher than ever. The few Chinese who apparently entertained the vestige of a hope that Wang Ching-wei was endeavoring in all sincerity to arrange an equitable and just peace seem finally to have been completely disillusioned. It is difficult to perceive how the signing by Wang Ching-wei of the iniquitous document at Nanking could in any way be regarded as strengthening any particular clique in the Kuomintang—unless it be the military group which is resolved on resistance to the end.

With reference to conclusion 5), as presented by Major Carlson, it is my view that the so-called "pro-American and democratic groups"

were of the opinion all along that the United States would finally decide to grant China concrete assistance if China continued resolutely to oppose Japanese aspirations to dominate East Asia and drive the Western Powers from its shores; otherwise they would never have adopted such a policy. The above-described policy has time and again been solemnly pronounced and consistently followed by General Chiang Kai-shek since the outbreak of the Sino-Japanese conflict; and it has been concurred in by the majority of the Chinese leaders. It is apparent, however, that in July and August of 1940 there was a period of uncertainty: it was then that Great Britain, fighting for existence in Europe, closed the Burma road on Japanese insistence, it was then that the position and attitude of the United States and Soviet Russia, in the face of the German assault on western Europe, was not wholly revealed in terms of future Far Eastern policy. But since the signing of the Tripartite Pact, and the reaction thereto in the United States, the Chinese attitude has been firm in opposition to the Axis. Chinese leaders wish to cooperate with the United States and Great Britain and Soviet Russia; in return for assistance from those Powers, they are unquestionably desirous of carrying on the struggle with Japan, not so much to keep Japan occupied vis-à-vis the United States and Great Britain as to drive the Japanese from the territorial confines of China. The Chinese feeling and attitude toward the United States were never better than at present. The Chinese now consider that they are joined with the United States and Great Britain in an integral struggle against the aggressor Powers; they feel assured that they will be supplied with the wherewithal to repulse the Japanese; and they now feel that victory is virtually theirs.

It is doubtful if the helpful attitude of the United States and Great Britain will have any marked effect on political trends in China as viewed from the long swing; it seems probable, as I have stated above, that it will take decades to work out a definitive form of government. In all probability the youth of China, who view conditions through different eyes than their elders, and as yet unknown leaders, will play a large part in shaping up the ultimate form of government adopted in this country. But looking at the situation from the short swing, it would seem that American and British support of the Central Government will place the latter in a position where it can exert increasing pressure on the Chinese communists whose continued growth and expansion has become a matter of serious concern to the leaders of the Government from Chiang Kai-shek on down. Indeed, that pressure is already in process of being exerted to the end that communist military units now based in central China shall be removed to the north of the Yellow River to join other communist forces in forming a barrier between the forces of the National Government and those of

the Japanese. Whether the communists will bow to this unwelcome pressure is not altogether clear. It appears that they are prepared, perhaps as a gesture, to start the northward trek from Central China of their military forces. With conditions as they are at present, I am of the opinion that the communists will find it desirable to remove slowly northward. In the end a compromise is not unlikely; the Kuomintang and the communists have been able to cooperate fairly well on the large issues since the Sian Incident because they must do so if they wish to stand up to their common enemy—Japan. I believe they will be able to continue this loose form of cooperation, at least until Japan is removed as a major threat. Thereafter Kuomintang-communist developments cannot be predicted with any surety.

I believe that Major Carlson is correct in his statement that there is more autonomy in the governing of the eastern provinces than was the case before the start of hostilities, for the very good reason that General Chiang and the authorities of the Government at Chungking do not have the requisite time to devote to the problems of these far-off provinces; they are more concerned with the general prosecution of hostilities, with the international situation, with the development of west China as a secure base. But I believe that the records of General Ku Chu-tung, Chen Yi, Hsiung Shih-hui and Huang Shao-hsiung belie reports of a sympathetic attitude toward Wang Ching-wei or of a desire to capitulate to the Japanese.

With regard to the importation of Japanese goods into the unoccupied areas, I am informed that this is a common occurrence not only in south and central China but also in north China, even in the areas garrisoned by the communist forces. Why? Because substitute goods are unobtainable and because of the cheapness of Japanese goods. There is a very real shortage of cheap manufactured goods throughout all the unoccupied areas and, unfortunately, the Japanese can and do supply that demand. The people prefer Japanese goods to no goods at all.

I cannot share Major Carlson's recommendation that we should condition our assistance to China on assurance of a political nature. With reference to the question of a compromise with Japan, I feel certain that if we supply China with the implements of war that she requires—especially airplanes and artillery—and afford her financial support, there will be absolutely no question of General Chiang Kai-shek and his Government's coming to a compromise with Japan. General Chiang has said all along that he would require the withdrawal of all Japanese forces from China as a condition precedent to negotiation of peace terms, and so far as I know he is still of that frame of mind. I am of the opinion that we should be very chary in the matter of lending official support to various specified organizations in China

merely because they are "laboring to acquaint the people with the fundamental principles of democratic processes", even though they are regarded in all respects as worthy organizations. As Major Carlson phrases it "we can take no action which can be regarded as attempting to interfere with the internal affairs of the nation". For, after all, we recognize and carry on relations with the National Government and there would seem to be no reason, as far as I can see, why we should not continue to do so. If we feel that certain organizations in China, such as the Chinese Industrial Cooperatives—which has made a worthy contribution—merit our help, then it seems to me that that assistance should be furnished in cooperation with the National Government, and not in a manner tending to embarrass or cast reflection upon that Government.

Respectfully yours,

NELSON TRUSLER JOHNSON

JAPANESE INTERFERENCE WITH AMERICAN TREATY RIGHTS AND
WITH EQUALITY OF COMMERCIAL OPPORTUNITY IN CHINA *

793.94112/299: Telegram

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

SHANGHAI, January 3, 1940—6 p. m.

[Received January 3—1:23 p. m.]

7. Shanghai's 1133, December 22, 4 p. m.⁸⁰ Inspector General of Customs Maze⁸¹ states in a confidential letter addressed to this Consulate General that a Secretary of the Japanese Embassy informed him on December 26 that the Inspectorate General should reopen the custom houses at Nanking and Chinkiang as an essential preliminary to the proposed opening of the Yangtze. Maze replied that consideration would be given the matter and suggested that the proposals be put in writing.

The Inspector General states further that he has learned that the Japanese Government will demand that Japanese commissioners be appointed at both of the above mentioned places and that a large number of the staff shall be Japanese. He states that it will probably be difficult to compromise on basis of appointment of a non-Japanese foreign commissioner with an additional Japanese administrative or deputy commissioner and with provision that some of the staff be Japanese.

* Continued from *Foreign Relations*, 1939, vol. III, pp. 348-474; see also *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 860 ff.

⁸⁰ *Foreign Relations*, 1939, vol. III, p. 796.

⁸¹ Sir Frederick William Maze.

He observes that he cannot state that the National Government would either approve the proposed reopening of the two customhouses or accept such a compromise as outlined, but he concludes by stating that his impression is that the Japanese may even refuse to reopen the Yangtze in the absence of compliance with their requirements regarding the customs, or may otherwise independently appoint, from Tokyo, a Japanese staff.

The Secretary of Embassy indicated in the course of the interview the Yangtze would probably be opened as far as Nanking about the end of February or beginning of March, but he stated that no date had yet been fixed.

Repeated to Peiping, Chungking, Tokyo.

GAUSS

611.939/254 : Telegram

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

WASHINGTON, January 20, 1940—3 p. m.

28. Reference your 671, December 8, 6 p. m.,³² and previous in regard to egg trade restrictions in the Yangtze Valley. The Department has received a letter from the Borden Company (Amos Bird Division) in which it is stated that all third-power egg packing companies in China have been in negotiation with the Japanese in an endeavor to arrive at some understanding which would permit them to continue in business and permit the Japanese a certain percentage of the trade; that third-power packers must obtain passes in the name of a subsidiary of the Mitsui Bussan Kaisha and that shipments must be consigned to the subsidiary, the Mitsui company agreeing only orally that they will turn all such shipments over to the original owner; and that representatives of the Mitsui company now state that the local military authorities agree that third-power packers can buy, ship and take delivery in their names, but that military passes in the name of a subsidiary of the Mitsui company will be necessary, and that even this arrangement must await final confirmation by the Nanking authorities at some future date.

The Department understands that the British companies concerned have approached the British Foreign Office in regard to this matter. Provided your British colleague is prepared to take similar action, the Department desires that you approach the Foreign Office, unless you have objection, and renew your efforts to effect the discontinuance of this unwarranted interference with American rights and interests

³² Not printed; in it the Ambassador reported that in reply to his representations the Foreign Office stated it had instructed Japanese officials at Shanghai to exert themselves for a prompt compromise settlement (611.939/233).

in China. You may state that the monopoly of the egg trade in the Yangtze Valley, which the Japanese authorities at Shanghai are granting the Mitsui Bussan Kaisha under cover of a system of military passes and military restrictions on travel and navigation in central China, is clearly injurious to the interests of two American firms engaged in the trade and that it constitutes a clear, unnecessary and unwarranted violation of the often-repeated pledges of the Japanese Government that equality of treatment in China would be maintained. You may add that this is a very clear example of the monopolization of trade and enterprise which has taken place on a large scale throughout those parts of China occupied by Japanese forces.³³

Sent to Tokyo via Peiping. Repeated to Shanghai.

HULL

793.94112/310: Telegram

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

SHANGHAI, January 24, 1940—6 p. m.

[Received January 24—3:13 p. m.]

70. Reference my No. 7, January 3, 6 p. m. regarding opening of Yangtze.

1. Inspector General of Customs informs me that Japanese Counselor of Embassy on January 20 handed him a memorandum incorporating Japanese "requests" regarding reopening of customhouses at Nanking and Chinkiang in the near future, perhaps early March.

2. Before acting in the matter the Inspector General feels that he should know whether the interested powers desire reopening of the Yangtze to Nanking as proposed by the Japanese. He inquires as to the attitude of American Government. If the powers desire opening of river, he feels that they must be prepared to take action at Chungking to ensure that he will not receive peremptory instructions forbidding him to reopen the customhouses. He anticipates that unless such action is taken he may be ordered not to reopen and this situation would be taken advantage of by Japan either to postpone opening the river on the ground that the customs refuse to cooperate, or on the other hand to impair integrity of the customs by the Japanese or puppet régimes reopening customhouses with their clerical personnel.

3. Inspector General has made similar approach to British and French Embassies which are reporting to their Ambassadors³⁴ now at Chungking. British Embassy here is suggested [*suggesting?*] to Ambassador that a reply be sent to Inspector General to effect that

³³ In telegram No. 61, January 29, 1 p. m., the Ambassador in Japan reported transmitting a *note verbale* to the Japanese Foreign Office (611.939/262).

³⁴ Sir Archibald J. K. Clark Kerr and Henri Cosme, respectively.

if and when the Yangtze is opened it is hoped that the custom-houses will be operated under Inspector General and that it is desired that latter keep Embassy informed of developments and advise Embassy in advance when he proposes to report to the Chungking Government, the Ambassador meanwhile to consider what if any approach might effectively be made at Chungking.

Repeated to Chungking, Peiping. Cipher text to Tokyo by air mail.

GAUSS

793.94112/310: Telegram

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

WASHINGTON, January 27, 1940—2 p. m.

43. Your 70, January 24, 6 p. m., opening of Yangtze. In reply to inquiry of the Inspector General of the Chinese Maritime Customs, please inform him that this Government has consistently objected to any interference with the rights of Americans with respect to navigation and trade on the Yangtze and naturally desires to see normal navigation on the Yangtze restored; that this Government is likewise, as it has repeatedly indicated, interested in the maintenance of the administrative integrity of the Chinese Maritime Customs; but that this Government is not inclined at this moment to attempt to influence the Chinese Government in its attitude in the matter under consideration.

Sent to Shanghai. Repeated to Chungking and Peiping. Peiping please send cipher text to Tokyo by air mail.

HULL

793.94112/312: Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, January 27, 1940—2 p. m.

[Received January 28—6 a. m.]

8. Reference my 162, December 31, 4 p. m.⁸⁵ Information obtained by the Commissioner of Customs from the Japanese Consulate General is to the effect that the Yangtze and Pearl Rivers will be opened at the same time; that the Pearl River will be opened gradually; that during the first stage cargo transportation will be limited to a certain number of river steamers plying between Hong Kong and Canton, coastal and other river vessels wishing to enter will be required to obtain special permission for each trip (the procedure which has been in force);

⁸⁵ *Foreign Relations*, 1939, vol. III, p. 799.

that in addition to customs rules and regulations all vessels will have to conform to special rules as to navigation hours, pilotage, et cetera; that the Japanese authorities intend creating very shortly a pilotage board which will at outset be controlled by Japanese Navy but will be handed over to Customs after river is reopened.

As regards staff, the Consulate General has according to the Commissioner indicated that until the river is opened unconditionally (when 32 Japanese members of the staff will be required) the Japanese will be satisfied with 16 members including one each administrative commissioner, assistant, additional harbor master, and examiner and 12 tide waiters. The 7 officers now on transfer from Tientsin are regarded as part of this number and apparently will meet immediate requirements.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

893.61331/195 : Telegram

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

TSINGTAO, January 29, 1940—10 a. m.

[Received January 29—3:20 a. m.]

20. Japanese authorities have given permits to the Universal Leaf Tobacco Company to purchase 1,500,000 pounds of tobacco in addition to that stipulated in the agreement signed December 8th (see my telegram 221, December 7, 3 [2] p. m.³⁶). An additional amount has already been purchased by the company and shipped to Tsingtao. However, all tobacco buyers regardless of nationality are having great difficulty in obtaining railway transportation of tobacco which has been purchased at stations west of Fangtze. While the shortage of freight cars is generally known, there are some obscure factors in transportation situation west of that station which is a railway division point.

True reading by air mail to Tokyo, Peiping, Shanghai.

SOKOBIN

793.94112/314 : Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, January 30, 1940—5 p. m.

[Received January 30—12:50 a. m.]

9. Reference my 8, January 27, 2 p. m. According to the Commissioner of Customs, the Japanese Consulate General yesterday in-

³⁶ *Foreign Relations*, 1939, vol. III, p. 472.

formed him that the Japanese Government was extremely anxious that the first stage in the opening of the Pearl River for cargo transportation be carried out at once; that it was essential for this purpose that seven Japanese customs officers (mentioned in my telegram under reference) be appointed and arrive here; and that the Japanese Navy was prepared to furnish air transportation for them from Shanghai. The Consulate General further stated that representatives of the Japanese Army and Navy had arrived here on the 27th by airplane from Japan in order to expedite the river's opening and that delay in the transfer of the seven Japanese from Tientsin which had occurred was presumably due to insistence of the Japanese authorities there that Japanese replacements be provided. The Consulate General strongly urged the taking of immediate steps in this matter and it is understood that the Commissioner yesterday telegraphed the substance of treaties to the Inspector General.

As possibly having a bearing on the failure of the Customs authorities to meet the wishes of the Tientsin Japanese, it is understood that in October last slightly over 50% of the foreign personnel of the Customs was Japanese.

It is felt here that the Japanese Government's apparent haste to open the Pearl and Yangtze Rivers is prompted by political or diplomatic considerations.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

793.94112/314a : Telegram

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

WASHINGTON, February 3, 1940—1 p. m.

The Department assumes that it will shortly receive from you by radio such comment and information as you may consider to be of significant interest in regard to conditions along the Yangtze River and in central China based upon your observations during your journey and your conversations with American officials and nationals and other persons. The Department believes that your observations and comment will be of special interest at this time in view of various aspects of the situation in the Far East, such as, for instance, the projected partial opening of a section of the Yangtze to commercial navigation and the statements of the Japanese Foreign Minister²⁷ made before the Diet on February 1 relating to Japan's attitude toward American rights and interests in China.

While the handling by the Department of any report you may make will of course depend in part upon the contents of such report as well

²⁷ Hachiro Arita.

as upon other factors, it is suggested that in the drafting of your report you keep in mind the consideration that we might find it advisable, possibly upon your return to Shanghai, to make public the report or appropriate portions thereof, either at Shanghai or at Washington or at both places. The Department would of course appreciate any comment which you might wish to make in regard to this particular question.

HULL

793.94/15659: Telegram

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

SHANGHAI, February 5, 1940—6 p. m.

[Received February 5—2:20 p. m.]

I have just completed a trip on the Yangtze River from the mouth of the Whangpoo to Hankow and back accompanied by Military Attaché Mayer, Naval Attaché Overesch, Assistant Naval Attaché McHugh and Consul Lafoon. We traveled as guests of Admiral Glassford⁸⁸ on U. S. S. *Luzon* and stopped at Chinkiang, Nanking, Wuhu, Anking, Kiukiang, Huangshihkong and Sankiangkow to deliver packages and mail to Americans and to give us an opportunity to visit and talk with Americans.

Following comments are made as a result of personal observation and conversations en route:

The Yangtze River from its mouth to Yochow is controlled by the Japanese Army as a line of military communication. This control is exercised by means of occasional small garrisons ashore, river patrol vessels and maintenance of station ships. Nothing moves on the river between points mentioned except with the permission of the Japanese Army.

River is commercially dead, there is a complete absence of Chinese and foreign shipping except for a few small junks and traveling between villages and larger towns. All Chinese merchants of substance and bankers have disappeared. The only shipping on the river consists of Japanese naval gunboats, army transports and numerous diesel engine vessels, most of them small wood ships of a type seen in the Inland Sea of Japan. At one time it was estimated that there were perhaps 5,000 of these on the river. They carry military supplies and cargo. All vessels of whatever types are controlled by the army, most if not all of them being manned by men in army uniform. Not a single naval vessel of combatant value to a fleet is used on this duty. Only obsolete cruisers, gunboats, and patrol boats were sighted between Shanghai and Hankow.

⁸⁸ Rear Adm. William A. Glassford, Jr., Commander of the U. S. Yangtze Patrol.

Except for this very real and effective control over the river and the traffic which it serves, the Japanese Army has but little control over areas [north?] or south of the river, except along railroads, highways and canals, that extend back from the river. Chinese life carries on as usual except that there are areas on either bank in which there has been guerilla activity, and here ruthless destruction has been carried out by the Japanese as punishment for damage done to Japanese shipping or to Japanese personnel. The great cities of Anking, Wuhu, Kiukiang, Wuchang and Hankow have been partially devastated and the former enterprising population widely dispersed. In many of the towns along the river Japanese military has demolished whole blocks of buildings just to obtain wood for fuel. Less than 50 percent of the normal population remains. Anking has been reduced from 120,000 to 5,000. Large parts of these riparian towns have been staked out by the Japanese Army and Navy as military zones for the exclusive use of Japanese.

Currency throughout area of river is the Chinese national dollar. Japanese military scrip is used almost entirely among Japanese. Scrip has been used to obtain supplies and goods under forced sale but Chinese quickly dispose of scrip for national currency. Japanese military are acquiring by forced sale or otherwise all of the exportable material, such as cotton, silk, rice, china, grass, sugar, vegetable oils, and shipping it down river in military ships for their own account. Material which they are acquiring consists for most part of accumulated stocks of the past year and a half. When these stocks have been absorbed it is expected the Japanese will begin to find difficulty obtaining new stocks unless they are prepared to offer better terms or better money.

American oil companies had exhausted all stocks before Japanese obtained control of river and have not been permitted to import for their own account since. American buyers of Chinese products have been able to get out stocks on hand but have not been able to purchase new stocks.

There is evidence of a desire on the part of the Japanese Army thus far to be considerate of the personal wants and comforts of Americans. American missionaries furthermore have been allowed to carry on their charitable and religious work. (There is, however, an atmosphere of uncertainty and uneasiness about this situation and there is no tangible assurance that the attitude displayed by the Japanese toward Americans to date has been genuine or other than an attempt to placate public opinion in the United States and to pit us against other foreigners in China who have not been treated thus.[])

Politically the Japanese military have no control whatever throughout valley except in immediate neighborhood of garrisons and within

rifle range of lines of communication. There is no interest among local Chinese population in much discussed Wang Ching-wei plans which if established will merely serve as pseudo-legal heir to business monopolies now functioning as adjunct to military operations. Chinese native Nationalist regime functions and collects taxes on both banks of river except in neighborhood of Japanese garrisons and Chinese residents registered with the Japanese military pay taxes to guerilla regimes that dot the countryside.

Navigationally the river is safe for commercial shipping, and I find it difficult to understand continued Japanese Army restrictions upon foreign trade and shipping except on the theory that such military restrictions are maintained with intent to squeeze out non-Japanese and compel them to relinquish at a sacrifice trading facilities built up over long period of years. At least 60 small ocean-going steamers of from 2,000 to 3,500 tons were observed during the voyage. Chinese booms and obstructions have been largely removed.

Commercially, the Japanese attempt to dominate the Yangtze River is doomed to failure. Temporary benefits are derived by the purchase of certain commodities with worthless military scrip. The use of legal yen is even prohibited. To date the Chinese are able to exchange this scrip back to old Chinese currency. Eventually and rapidly, however, the scarcity of good currency and the impoverishment of the Japanese controlled areas through seizure of goods and ruthless exploitation will create a serious condition.

American goods, even if permitted to be shipped in, will find neither a market to absorb them nor other than Japanese controlled distributors who will, as a matter of policy, discriminate against their distribution. Only the complete withdrawal of the Japanese military with consequent freedom of action of Chinese markets will restore either the market or distributing agencies.

Repeated to Chungking, Peiping, Hankow. Peiping air mail to Tokyo.

Paraphrase by pouch to Commander in Chief, Asiatic Fleet. Naval and Military Attachés request their Departments be informed.

JOHNSON

611.939/263 : Telegram

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

WASHINGTON, February 6, 1940—3 p. m.

50. Swatow's 66, December 9, noon,³⁹ and 4, January 31, 9 a. m.⁴⁰
The department desires that, unless you perceive objection, you call

³⁹ *Foreign Relations*, 1939, vol. III, p. 473.

⁴⁰ Not printed.

at the Japanese Foreign Office and leave an *aide-mémoire* along lines as follows:

"On November 15, 1939, the American Embassy brought to the attention of the Japanese Foreign Office⁴¹ information in regard to heavy financial exactions which were being demanded by Japanese agencies in connection with the export of linen drawn work and embroidery by American firms in Swatow, a port which has been for several months declared closed to third-power trade by the Japanese authorities on the ground of military necessity. The Japanese Foreign Office was informed by the American Embassy that on a shipment of 1,186 cases of linen drawn work and embroidery in September, American exporters, in order to obtain permission to ship, were required to pay an assessment of \$500 Chinese National currency per ton in addition to a Swatow-Shanghai freight rate charge of \$41 per ton; and that on a second shipment of 861 cases, the assessment was at the same rate but the freight rate was increased to \$98 per ton. It thus appeared that on the first shipment from Swatow to Shanghai the American exporters were charged the exorbitant sum of \$541 per ton and on the second \$598 per ton, as against \$15 per ton prior to the hostilities.

In view of the repeated assurances of officials of the Japanese Government that American rights and interests in China would not be interfered with, the Government of the United States expected that once the facts were brought to the attention of the Japanese Government steps would be taken to cause the cessation of illegal exactions at Swatow. Unfortunately, this has not been the case. On the contrary, reports have been received of further such levies. In December a third shipment consisting of 1,474 cases of linen drawn work and embroidery was made at Swatow; on this shipment there was assessed \$500 per ton in addition to freight charges of \$83 per ton. As a condition precedent to shipment exporters were required to sign a statement affirming that they would pay \$500 per ton on cargo exported as long as the port of Swatow remained closed, that such 'contributions' were voluntary and that trade and transportation rates were reasonable and not exorbitant. A fourth shipment consisting of 1,055 cases of linen drawn work and embroidery has recently been made and similar charges have been collected.

The Government of the United States is aware that the Japanese authorities at Swatow aver that, for military reasons, the port is closed to commercial shipments; but the Government of the United States is also aware that Japanese trade in many commodities continues at that port and it has become evident that exportation of linen drawn work and embroidery by American merchants is allowed subject to illegal and unwarranted exactions. Trading conditions at Swatow have become such as unavoidably to create the implication that those concerned are, for their own special purposes, and to the serious detriment of the American interests concerned, taking advantage of

⁴¹ See Department's telegram No. 245, November 3, 1939, 6. p. m., *Foreign Relations*, 1939, vol. III, p. 469.

the situation which has been created at Swatow by Japanese armed forces."

Sent to Tokyo via Peiping. Repeated to Shanghai and Swatow. Peiping please repeat to Tokyo Swatow's no. 4, January 31, 9 a. m., if you have not already done so.

HULL

793.94112/318: Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, February 7, 1940—5 p. m.
[Received February 7—12: 12 p. m.]

Reference my 8, January 27, 2 p. m. Temporary regulations of the Pearl River pilotage service, administered by the Japanese Army and Navy, have, according to a communication from the Japanese Consul General, been put into effect as from February 1st. The regulations provide *inter alia* that they are inapplicable to Japanese warships and military chartered vessels; that only pilots on the non-official staff of the army and navy are permitted to pilot vessels within the pilotage ground of the Pearl River (from which Whampoa is excluded); that vessels of less than 500 gross tons or less than 8 feet draught may be operated without a pilot; that pilotage fees as set forth shall be charged (these are about three times former fees); that infractions of the regulations shall be dealt with according to Japanese military regulations; and that they are to be in force during the closure of the river (presumably until it is reopened unconditionally). As stated in the Japanese Consul General's letter, foreign naval vessels are not affected by those regulations.

Repeated to Chungking.

The regulations appear to be particularly objectionable in that they introduce compulsory pilotage contrary to previous practice and treaty provisions (British treaty of Tientsin, article 35⁴²) and prescribe that infractions of the regulations are punishable according to Japanese military regulations. Other objectionable features are the excessive pilotage rates and the inapplicability of the regulations to Japanese military chartered vessels which have been carrying commercial cargo and are likely to continue to transport and discharge it at Whampoa.

American interests are not confronted by the regulations. However, I feel that a protest based on the first two objections mentioned above would be desirable and subject to the Embassy's approval I propose to make such protest when acknowledging Japanese Consul General's communication.

⁴² *British and Foreign State Papers*, vol. XLVIII, pp. 47, 54.

British interests are directly affected and Consul General has protested and reserved all rights.

Sent to Peiping, repeated to Chungking.

MTERS

793.94112/317: Telegram

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

TOKYO, February 7, 1940—7 p. m.

[Received February 7—10:03 a. m.]

90. In an interpellation in the Diet on February 5 Dr. Ichiro Kiyose, of the Kikyoku Doshikai, declared that Japan's announcement of intention to reopen the Yangtze should be withdrawn at once; that the announcement had been made to conciliate the United States but that the latter had not responded; that, in view of early emergence of a new central government in China which would probably not permit Yangtze navigation by ships of countries not recognizing the new regime, Japan should avoid interference with that government's prerogatives.

To this Foreign Minister Arita replied (close translation by Embassy):

"The Yangtze River had remained closed because of the strategic requirements of the Japanese Army. However, on November 18 a statement was issued by the army to the effect that, owing to the relaxation of the army's strategic requirements, it was preparing for the opening of the Yangtze. Although it is true that former Foreign Minister Nomura referred to this matter in his conversation with the American Ambassador,⁴³ yet I do not believe that it should be considered that this matter of the opening of the Yangtze was made a factor in the negotiations for treaty revision."

At another point Dr. Kiyose declared that the Nine-Power Treaty⁴⁴ should be denounced by Japan on the grounds that conditions had changed, even as the United States had abrogated the 1911 treaty⁴⁵ on the grounds of changed conditions: that the Nine-Power Treaty was the Versailles Treaty⁴⁶ of the Far East by which other nations sought to bind Japan.

⁴³ See point 2 of Japanese *aide-mémoire*, quoted in telegram No. 687, December 18, 1939, 10 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 48, 50.

⁴⁴ Signed at Washington, February 6, 1922, *Foreign Relations, 1922*, vol. I, p. 276.

⁴⁵ Signed at Washington, February 21, 1911, *ibid.*, 1911, p. 315; see the Department's note of July 26, 1939, *ibid.*, 1939, vol. III, p. 558.

⁴⁶ Signed June 28, 1919, *Foreign Relations, The Paris Peace Conference, 1919*, vol. XIII, p. 57.

In reply Mr. Arita said (Embassy's translation) :

"Mr. Kiyose mentions a note to the American Ambassador in which I am quoted as having said that it would be difficult to apply, without change, old principles and concepts to present and future situations. I did say that in my note, and my view is yet unchanged. However, in regard to the question of denouncing the Nine-Power Treaty, although various instances have been set forth by Mr. Kiyose I think the matter will require still further consideration."

GREW

611.939/263 Suppl. : Telegram

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

WASHINGTON, February 7, 1940—7 p. m.

55. Reference Department's 50, February 6, 3 p. m., and your despatch No. 4421, January 16,⁴⁷ in regard to interference by the Japanese with linen shipments from Swatow.

Your despatch under reference has just been received. The Department authorizes you to amend the proposed *aide-mémoire* in order to take cognizance of the Japanese reply of December 27 to your representations of November 15⁴⁸ and to express dissent with the contention of the Japanese military authorities at Swatow that the exactions of \$500.00 per ton are voluntary donations.

Please send to Shanghai for repetition to the Department by naval radio the text of the *aide-mémoire* which you leave at the Japanese Foreign Office.

Sent to Tokyo via Peiping. Repeated to Shanghai and Swatow.

HULL

893.5151/692 : Telegram

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

WASHINGTON, February 9, 1940—4 p. m.

56. Reference Chefoo's telegram of January 29, 5 p. m., and February 1, 11 a. m.,⁴⁸ in regard to exchange control restrictions as applied to lace and embroidery exports at Chefoo. The Department desires that unless you perceive objection you call at the Japanese Foreign Office and leave an *aide-mémoire* along lines as follows:

On several previous occasions the Government of the United States has made representations to the Japanese Government in regard to illegal establishment of exchange and export control in north China

⁴⁷ Latter not printed.

⁴⁸ Neither printed.

by Japanese-sponsored authorities in support of a fiat currency which they had issued there. It was observed that the new currency was linked to the yen at par and that although the exchange value of the Chinese national currency and of the new so-called Federal Reserve Bank currency had declined to a low level in the open market, with corresponding increases in local prices, efforts were being made through the establishment of exchange and export controls to maintain an arbitrary rate of exchange for export purposes which was so high as to be a barrier to trade between north China and countries other than Japan; but, the new currency and the Japanese yen being linked at par, trade between north China and Japan has been carried on with comparative freedom.

The controls were in no respect modified in response to the representations made. The Government of the United States is now informed that the exchange and export controls have been extended to include laces and embroideries exported from Chefoo, products hitherto exempted from the controls at that port. According to reports reaching the Government of the United States, trade in lace and embroidery at Chefoo has been practically paralyzed as a result of the new controls, with no new commitments being entered into.

The lace and embroidery trade of north China has been developed mainly by American merchants over a period of 35 years or more. Much painstaking effort and a large amount of money have been expended in developing that trade. The Americans concerned now find their substantial investments and their livelihood endangered as a result of unwarranted interference by the Japanese-sponsored authorities with their trade.

The Government of the United States desires to point out that the effects which the exchange and export control measures established generally by the Japanese-sponsored authorities in north China have had upon American trade is clearly illustrated by what has happened to lace and embroidery exports at Chefoo since they were subjected to control in January of this year, and to call attention to the fact that notwithstanding repeated representations by the Government of the United States no effective steps have been taken by the Japanese Government, in so far as the Government of the United States is aware, to put an end to the unwarranted interference with and discrimination against American trade which is inherent in the exchange and export control system which has been established and which is being maintained by Japanese-sponsored authorities in north China.⁴⁹

Sent to Tokyo via Peiping. Repeated to Chungking, Chefoo, and Shanghai. Peiping please repeat to Tokyo Chefoo's telegram of February 1, 11 a. m.,⁵⁰ if you have not already done so.

HULL

⁴⁹ In telegram No. 112, from Tokyo, February 13, 7 p. m., Ambassador Grew reported that an *aide-mémoire* was left at the Japanese Foreign Office on February 13 (893.5151/703).

⁵⁰ Not printed.

793.94112/320 : Telegram

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

PEIPING, February 12, 1940—3 p. m.
 [Received February 12—7: 05 a. m.]

50. Your [*Canton's?*] February 7, 5 p. m. The Embassy perceives no objection to Canton protesting against pilotage regulations as being an impairment of American rights and interests in China.

While under present circumstances no instance will probably arise directly affecting the rights of Americans as it is understood that no American commercial vessels now go to Canton, the Embassy proposes to instruct the Consul General at Canton, if the Department approves, to lodge a protest on the general grounds of impairment of American rights and at the same time inform the Japanese authorities that the American Government cannot recognize any claim of the Japanese to a right to try under Japanese military or other law American citizens who may be charged with infractions of the pilotage regulations.⁵²

Repeated to Canton and Chungking. By air mail to Tokyo.

LOCKHART

611.939/285

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

No. 4501

Tokyo, February 16, 1940.

[Received March 8.]

SIR: I have the honor to refer to our despatch No. 4464 [4454], dated January 29, 1940, transmitting a copy of our *note verbale* to the Japanese Foreign Office, No. 1467, dated January 27, 1940,⁵³ concerning egg trade restrictions in the Yangtze valley.

The Japanese reply thereto, dated February 9, 1940, has just been received and a translation thereof is enclosed.⁵⁴ The reply states that the statement contained in our *note verbale*, to the effect that the Japanese authorities are extending to Japanese commercial firms a monopoly in the egg trade and further that this instance is an example of the monopolizing of trade and enterprise, may be based upon some misunderstanding on our part; that, however, an agreement has been reached in this question which shortly will be put into effect and that

⁵² The Department informed the Embassy on February 14 of its approval of the proposed action.

⁵³ Neither printed; but see Department's telegram No. 28, January 20, 3 p. m., p. 485.

⁵⁴ Not printed.

the Foreign Office hopes that Japanese and American interests will cooperate to the end that the agreement may operate harmoniously.

Respectfully yours,

JOSEPH C. GREW

793.94112/326 : Telegram

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

CHUNGKING, February 20, 1940—9 a. m.

[Received 5:10 p. m.]

84. Department's 43, January 27, 2 p. m., to Shanghai. Reopening of Yangtze. At the request of the British and French Ambassadors, I met with them yesterday and the French Ambassador said that he had received a telegram from his Foreign Office directing that he consult with his British and American colleagues in Chungking with regard to the advisability of suggesting to the Chinese Government the desirability of acquiescing in facilitating maritime customs offices at Chinkiang and Nanking in order to facilitate the opening of the Yangtze to navigation, or at least of "closing its eyes to the proceeding." The Ambassador said that he was informed the Inspector General had already asked permission of the Chinese Government to agree to the reopening and he pointed out that if the Chinese Government refused to acquiesce the Japanese would probably open these offices themselves and that this would be prejudicial to the integrity of the customs administration. The British Ambassador remarked that the danger was that the Japanese would insist on placing many additional Japanese in the administered offices and that this was what the Chinese Government feared. He said that he had talked with the Chinese Minister of Finance⁵⁵ on this subject last November and Dr. Kung had been extremely emphatic in his opposition to the reopening of the offices under Japanese auspices. The British Ambassador also said that he had received under date of February 12 a telegram from his colleague in Tokyo⁵⁶ stating that the latter had consulted Ambassador Grew who had informed him that the position of the American Government was that it was interested in the integrity of the Chinese maritime customs but did not wish to advise the Chinese Government to follow any specific course of action. I observed that this had always been the attitude of the American Government, but that I would refer to the Department the particular proposal made by the French Ambassador. Does the Department desire that this office in communication with the two Ambassadors add anything to the important points expressed in the telegram under reference?

Repeated to Peiping, Shanghai; Peiping please mail to Tokyo.

PECK

⁵⁵ H. H. Kung.

⁵⁶ Sir Robert L. Craigie, British Ambassador in Japan.

793.94112/310: Telegram

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

WASHINGTON, February 20, 1940—4 p. m.

74. Your 70, January 24, 6 p. m., and Department's 43, January 27, 2 p. m., opening of Yangtze. The British Embassy here has informed the Department⁵⁷ of an approach to the British Embassy to China by the Inspector General of Customs along the lines of the approach described in your telegram under reference. The British Embassy stated that the British Ambassador to China felt that no approach should be made to the Chinese Minister of Finance until the Inspector General of Customs had informed the British Embassy of his intention to ask for instructions. The British Embassy asked whether this Government would support the British Government in urging the Chinese Government not to instruct the Inspector General of Customs to refrain from opening the customhouses at Chinkiang and Nanking.

In reply the Department gave the British Government the substance of its telegram under reference and added that, if and when the Inspector General of Customs should inform the American Consul at Shanghai of his intention to ask the appropriate Chinese authorities for instructions, this Government would, in the light of the situation then existing, be willing to give the question of its attitude in the matter further consideration.

Sent to Shanghai. Repeated to Chungking and Peiping. Peiping please send cipher text to Tokyo by air mail.

HULL

711.94/1428: Telegram

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

TOKYO, February 22, 1940—2 p. m.
[Received February 22—9:30 a. m.]

133. Our 119, February 14, 8 p. m.⁵⁸

(1) The Information Bureau of the Foreign Office yesterday released a statement that 21 cases involving American rights and interests in China have recently been amicably settled—12 through negotiations here and the balance through negotiations in China. Settlement of issues pending with third powers in connection with the China incident is said to be "fixed policy" of the government. Investigations concerning cases of damage to American interests in central China are said to be completed and negotiations for their settlement will be undertaken soon between competent American and Japanese author-

⁵⁷ By *aide-mémoire* of February 14, not printed.

⁵⁸ *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 674.

ities in China. (Hirasawa of the American Bureau of the Foreign Office recently flew to Shanghai undoubtedly for this purpose.)

(2) The text of the statement with appended list of settled cases will be telegraphed via Shanghai.⁵⁹

Repeated to Shanghai. Shanghai please repeat to Peiping, Chungking.

GREW

793.94112/326 : Telegram

The Secretary of State to the Counselor of Embassy in China (Peck), at Chungking

WASHINGTON, February 23, 1940—6 p. m.

26. Your 84, February 20, 9 a. m., and Department's 74, February 20, 4 p. m., to Shanghai. The information from the British Embassy, referred to in the Department's telegram to Shanghai under reference, was contained in an *aide-mémoire* dated February 14 in which it was stated, *inter alia*, that it was understood that the Inspector General of Customs had written to Dr. Kung in regard to this matter. The Inspector General's communication to Dr. Kung may be the basis for the French Ambassador's remarks mentioned in the second sentence of the first substantive paragraph of your telegram. The Department's 74, February 20, 4 p. m., to Shanghai appears to have crossed your 84, February 20, 9 a. m. The Department feels that it should, for the time being, continue to adhere to its position as outlined in its telegram to Shanghai under reference.

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

HULL

793.94112/329 : Telegram

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

SHANGHAI, February 26, 1940—1 p. m.

[Received February 26—6:17 a. m.]

158. Reference Department's 26, February 23, 6 p. m., to Chungking regarding opening of Yangtze. By my despatch No. 2873 of January 31,⁵⁹ which however appears to have been delayed in transmission awaiting steamer, I sent to the Department and Embassy copy of confidential report of January 25 from Inspector General to Minister of Finance of which following now is summary:

Inspector General has been informed Japanese Government propose to open river as far as Nanking in the near future and [as?] had been desired but declined to furnish plans in connection with reopening of

⁵⁹ Not printed.

customhouses concerned. Japanese might welcome refusal on his part to resume customs work at ports concerned as relieving them of further responsibility in the matter. They might blame customs for obstructing resumption normal trade conditions on the river and might reopen customhouses themselves with separate staffs nominally under control of Chinese régime at Nanking. Interested friendly powers might resent customs failure to cooperate and would experience difficulty in protesting contravention of integrity of customs. For the public's position might thus be weakened in that Japanese would have opportunity to declare they did not desire to disrupt unity of customs service and had been compelled to take independent action in view [of] refusal [by] Inspector General to reopen customhouses concerned.

The letter does not ask permission to agree to the reopening nor does it ask for instructions.

Repeated to Chungking and Peiping. Code text by air mail to Tokyo.

GAUSS

893.512/1548 : Telegram

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

WASHINGTON, February 26, 1940—4 p. m.

70. Peiping's 53, February 14, 11 a. m., and Canton's February 9, 5 p. m., and February 17, 1 p. m.,⁶¹ special municipal tax on petroleum products. This tax appears to be contrary to the Chinese Government's obligation under Annex 3 of the Sino-British Tariff Treaty of 1928⁶² to abolish "likin, native customs duties, coast-trade duties and all other taxes on imported goods whether levied in transit or on arrival at destination." It also appears that the tax is not recognized by the Chinese National Government, and is contrary to regulations of that Government, including several rulings stating specifically that no taxes in addition to Chinese Maritime Customs duties are to be collected on kerosene and gasoline. Consequently, the Department does not admit the right of any régime in China to impose such a tax.

In view of these considerations the Department concurs in the recommendations of Peiping and Canton and desires that, unless you perceive objection, you make appropriate representations to the Japanese Foreign Office in regard to this case.⁶³

Sent to Tokyo via Peiping. Repeated to Canton and Chungking.

HULL

⁶¹ None printed.

⁶² Signed at Nanking, December 20, 1928, *British and Foreign State Papers*, vol. CXXXVIII, p. 284.

⁶³ The Ambassador in Japan made written representations to the Japanese Foreign Office on February 29. However, in despatch No. 112, December 18, to the Ambassador in China, copy of which was forwarded directly to the Department, the Consul General at Canton indicated that there appeared to be no improvement in the situation as of that date (893.512/1577).

693.002/981 : Telegram

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

CHUNGKING, February 26, 1940—4 p. m.

[Received February 27—12: 20 a. m.]

100. Department's 26, February 23, 6 p. m. I met the French Ambassador yesterday and he strongly urged that Great Britain, France and the United States advise the Minister of Finance without delay not to oppose the reopening of the Chinkiang and Nanking customs. He pointed out that the Inspector General's request for authorization was before Kung and insisted it was very important to make representations before the latter's decision was made since he was known to be tenacious in adhering to any decision already announced. I have informed the French Embassy today of the Department's position as set forth in the Department's 74, February 20, 4 p. m., to Shanghai.

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

PECK

793.94112/331

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

CHUNGKING, February 28, 1940—noon.

[Received 8: 55 p. m.]

102. Shanghai's 158, February 26, 1 p. m., to the Department, opening of Yangtze. Counselor of the British Embassy has just inquired whether I have received any instruction from the Department in regard to proposed simultaneous representations to Kung. I informed him of the Department's position as defined in the last substantive sentence of the Department's 26, February 23, 6 p. m., and possibly affected by the last sentence in the telegram under reference. Informant said that the British Embassy here had been informed that the Inspector-General had intimated on February 24 that he thought it would be desirable if the Embassies concerned were to suggest to the Minister of Finance at this time the advisability of ignoring any arrangements the Inspector-General might make with regard to reopening the two customs offices. I suggested that he meant that Kung should "shut his eyes" to the proceeding and informant assented. I said I would inform Department of what the Counselor had told me and he remarked that for the time being the British Embassy would take no further steps.

Repeated to Peiping and Shanghai. Peiping repeat to Tokyo.

PECK

893.4061 Motion Pictures/267

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

No. 2538

PEIPING, February 28, 1940.

[Received April 8.]

SIR: I have the honor to transmit herewith, as a matter of record, a copy of an *aide-mémoire*, dated February 26, 1940,⁶⁴ left by a member of the staff of this Embassy with the Japanese Embassy in Peiping, in regard to the arbitrary and permanent mutilation of American films distributed by the Film Board of Trade (China).

It will be seen that, according to information received by the Film Board of Trade (China), Shanghai, the censors in Peiping have recently informed the local motion picture theatres that in future deletions made by the censors will not be returned. Such action would apparently destroy the value of the films for further distribution in China.

An informal investigation of the situation by a member of the staff of this Embassy has revealed that the censorship of films in Peiping, formerly the responsibility of the Executive Commission of the "Provisional Government", is now performed jointly by the Municipal Police and the Japanese *Gendarmerie* Headquarters. Accordingly the matter was taken up orally with a member of the staff of the Japanese Embassy and the original of the enclosed *aide-mémoire* was left with this official. A third person note, similar in substance to the *aide-mémoire*, was left with the Municipal authorities of Peiping.

Respectfully yours,

For the Ambassador
FRANK P. LOCKHART
Counselor of Embassy

693.002/981 : Telegram

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

WASHINGTON, February 29, 1940—3 p. m.

28. Shanghai's 158, February 26, 1 p. m., and your 100, February 26, 4 p. m., reopening of customhouses at Chinkiang and Nanking. If and when the British and French Embassies inform you that they have made approaches to the Chinese Government in regard to the question of the reopening of the Chinkiang and Nanking customhouses, you are authorized, at the first suitable opportunity, to make an oral and informal statement to the Minister of Finance or other appropriate Chinese Government official along lines as follows:

⁶⁴ Not printed.

This Government does not wish to urge upon the Chinese Government any specific course of action in regard to the question of the reopening of the customhouses at Chinkiang and Nanking but hopes that the Chinese Government will, in considering the factors involved, give due weight to the interest which this Government has repeatedly expressed in the maintenance of the administrative integrity of the Chinese Maritime Customs.⁶⁵

You are authorized to inform your British and French colleagues of the substance of this telegram.

Sent to Chungking. Repeated to Shanghai and Peiping. Peiping please transmit code text by air mail to Tokyo.

HULL

893.61331/203 : Telegram

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

TSINGTAO, March 2, 1940—11 a. m.

[Received 11 : 36 p. m.]

34. With reference to my telegram No. 22, of February 6, 10 a. m.,⁶⁶ Universal Leaf.

(1) While one additional permit for 1,000,000 pounds has been withdrawn, Company is continuing purchases and has now succeeded in bringing to Tsingtao practically all tobacco purchased. Company considers operations this season on the whole successful, all the more so as Yee Tsoong Company, which requires 15,000,000 pounds for normal operation for one year of its Tsingtao factory only has succeeded in obtaining barely 5,000,000 pounds compared to purchases of 65,000,000 pounds in 1935.

(2) The continued successful activities of the Universal Company in the Shantung leaf markets, with good prospects for future operations, may be regarded as an outstanding achievement of American Government policy on the one hand and of American business resourcefulness on the other.

Repeated to Peiping. Code text to Tokyo and Shanghai.

SOKOBIN

893.1028/2029

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

[WASHINGTON,] March 5, 1940.

During the course of a call made at his own initiative by Mr. Morishima, Counselor of the Japanese Embassy, there arose the question

⁶⁵ For substance of reply by the Minister of Finance, see telegram No. 115, March 7, noon, from the Ambassador in China, p. 719.

⁶⁶ Not printed.

of various steps taken recently at Shanghai toward improving the situation there, such as the agreement reached between the Municipal Council of the International Settlement and the City Government of Shanghai in regard to policing arrangements in the western Extra-Settlement Roads area, the agreement reached between the Municipal Council and the Japanese authorities whereunder certain areas in the International Settlement were to be turned back to the control of the Municipal Council,⁶⁷ and the activities of the Japanese authorities at Shanghai directed toward payment of certain American claims. I told Mr. Morishima that all these represented steps in the right direction. I reminded him, however, that American rights and interests continued to be subjected to interference in a fundamental way in many parts of China and in this connection I referred to the whole system of exchange control, export restriction, currency manipulation, and the setting up of monopolistic companies. I said that our information in regard to the Far East continued to demonstrate conclusively that the whole set-up in Japanese-occupied territory in China operated to give Japan and Japanese nationals a preferential position as compared with the position of other third power countries and their nationals. Mr. Morishima did not agree with my statements but did make two statements worthy of recording:

(1) He said that it was impossible for the currency and exchange control system in effect in north China to be changed at this time but that upon the setting up of a new Chinese government it might develop that that new Chinese government would give consideration to making a change in the situation;

(2) He said that he could assure me that the exchange control system now in effect in north China would not be extended to central China.

M[AXWELL] M. H[AMILTON]

893.61331/203 : Telegram

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

WASHINGTON, March 6, 1940—5 p. m.

8. Your 34, March 2, 11 a. m., and your despatch no. 311, December 8, 1939,⁶⁸ in regard to the difficulties of the Universal Leaf Tobacco Company. It is the Department's understanding that the Universal Leaf Tobacco Company has been able, notwithstanding protracted negotiations, to purchase only a fraction of the amount purchased by the company under normal conditions and of pos-

⁶⁷ See also pp. 727 ff.

⁶⁸ Latter not printed.

sible purchases by the company in the absence of restrictions imposed by the Japanese. Your despatch under reference clearly indicates that the company feels that it was forced to accept an unsatisfactory agreement. It is apparent also that the restrictions imposed upon the tobacco purchasing activities of the company in Shantung Province constitute an instance of unwarranted interference by Japanese military authorities with American business and an effective denial of equality of opportunity to American as compared with Japanese interests. Moreover, the Department's correspondence with representatives of the company does not indicate that the company is optimistic over the situation in Shantung.

Sent to Tsingtao. Repeated to Peiping, Shanghai. Peiping please mail code text to Tokyo.

HULL

793.94112/334 : Telegram

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

Tokyo, March 7, 1940—6 p. m.

[Received March 7—9:21 a. m.]

157. 1. The Minister for Foreign Affairs has sent me through confidential but official channels an oral message as follows: not only is he extremely occupied with daily attendance at the plenary and committee meetings of the Diet, but he believes that it would be wise, in order to avoid undesirable speculation on the part of the press, to defer meeting me until the Diet session comes to an end probably before the beginning of next month. He assures me that, although there has been a change of Cabinet since I had my conversations last year with Admiral Nomura, there has been no change in the Japanese Government's policy of respecting the rights and interests of third powers in China. With particular reference to the reopening of the Yangtze River, he regretted that the date originally fixed for that event has come and gone and 3 weeks have since elapsed, but this delay is due in large part to certain unforeseen causes. It had been found necessary for various reasons that he and the Minister of War declare in the Diet that the undertaking to reopen the Yangtze was unilateral in character and could therefore be withdrawn if requirements of the military situation should make such withdrawal necessary, but stating that Mr. Arita wished me to understand that preparations for the reopening of the river are being carried out as rapidly as possible.

2. "I understand from an excellent source that the principal difficulty in the way of reopening the river is the question of disposing of the Japanese military notes. Our informant said that such notes, now outstanding, amount to about 100 million yen and that funds are not

available for their conversion into currency, equally acceptable to Chinese, Japanese and third party interests, which would be necessary for trade following the reopening of the Yangtze area."

3. The second paragraph of this telegram is being repeated to Shanghai, Peiping and Chungking for such comment as those offices may desire to make.

GREW

393.115/879 : Telegram

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

WASHINGTON, March 11, 1940—6 p. m.

87. Reference Canton's telegrams of February 9, 6 p. m., and March 5, 3 p. m.,⁶⁹ in regard to oil monopoly in Namhoi district. The Department authorizes you in your discretion to make appropriate representations to the Japanese Foreign Office.⁷⁰

Sent to Tokyo via Peiping. Repeated to Canton and Chungking.

HULL

893.516/662 : Telegram

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

CHUNGKING, March 27, 1940—11 a. m.

[Received March 28—6:15 a. m.]

150. I have a letter from Minister of Finance dated March 25 in which he states that active steps are being taken by Japanese authorities busying themselves with establishment of Wang Ching-wei regime to set up a central bank of issue in Yangtze Valley and points out that this will constitute a fresh overt act intended to destroy foreign interests through their inability to continue trade with China on a basis of equality by reason of planned exchange control in favor of Japanese trade. Similar letters addressed to British and French Embassies. Copy being forwarded by air mail.⁷¹ It is my opinion that something might be done in anticipation of such a step in clearing its undertaking by representations at Tokyo.

In this connection attention is directed to Shanghai despatch 2865 of January 25,⁷¹ showing how customs deposits with Yokohama Specie Bank are being looted and loans and obligations secured on customs funds defrauded of their security by the Japanese army politicians. I was informed at Tientsin last December that at that time 150 mil-

⁶⁹ Neither printed.

⁷⁰ See note No. 1498, March 20, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 860.

⁷¹ Not printed.

lions in F. R. B. currency was deposited with Yokohama Specie Bank credited to customs there. It seems to me that this is a further basis for protest on the part of interested powers, although it is to be observed that British are responsible for arrangement under which deposits of customs funds are being made into Yokohama Specie Bank.

Repeated to Peiping and Shanghai; Peiping repeat to Tokyo.

JOHNSON

893.5151/721 : Telegram

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

TOKYO, April 3, 1940—4 p. m.

[Received April 6—8:20 a. m.]

232. Reference Embassy's despatch 4487, February 14, 1940.⁷² Chefoo trade restrictions—lace and embroidery exports. Following is pertinent portion of Foreign Office reply to our *aide-mémoire* enclosed with the despatch under reference. This reply is said to be based upon investigation made by the Japanese authorities in North China.

“Since July 1939 the certification of the Federal Reserve Bank of China has been required, as a matter of principle, for all import and export shipments in North China. It is natural that this procedure should also be applicable to laces and embroideries at Chefoo. However, the authorities of the Federal Reserve Bank giving consideration to facilities for the dealers in these commodities until the end of 1939 accorded special treatment and did not require exchange on shipments of these commodities in question for which contracts had already been made. Thereby the dealers were allowed to complete the shipment of practically all already contracted goods. Accordingly after January 1940 ordinary period dated contracts could not be recognized. However, the officials of the Federal Reserve Bank permitted until February 1940 shipments without exchange of those (1) who had purchased exchange, (2) who had obtained letters of credit, and (3) who had already bought materials before July 6, 1939, for the purpose of shipping laces and embroideries. Shipment of laces and embroideries thereafter the same as other commodities required certification of the Federal Reserve Bank. However, when the articles made of imported materials are shipped the greatest possible consideration is being given by excepting that of the article made from imported materials with regard to the exchange requirements.

As explained in the foregoing, the officials of the Federal Reserve Bank notwithstanding the exchange collection and distribution system applicable to all export commodities in North China are given [*giving*] special consideration [to] lace and embroideries. Reciprocally, they expect business firms concerned to study methods looking to prompt

⁷² Not printed; cf. Department's telegram No. 56, February 9, 4 p. m., p. 496.

equalization of exchange rates, et cetera, and to devise gradually efficacious measures to cope with the new conditions. It is further reported that among foreign business firms there is a considerable number which have exported after July 1939 after obtaining certification from the Federal Reserve Bank articles other than those for which prior contracts had been made.

Accordingly the officials of the Federal Reserve Bank hope that American firms at Chefoo will also appreciate the friendly treatment accorded by the officials of that bank and will take an attitude conformable with actual conditions. The statement is made in the Embassy's *aide-mémoire* that far reaching exchange and export controls have been enforced in North China and are unwarrantably interfering with and discriminating against American trade. The foregoing matter was clearly explained in note No. 34 of April 1939 sent by the Minister for Foreign Affairs to the American Ambassador at Tokyo⁷⁴ and it is to be added that the only difference lies in the fact that certification by the Federal Reserve Bank of China has become necessary for all exports from North China passing through customs.⁷⁵

2. The above Foreign Office note No. 34 was forwarded with our despatch No. 3849, April 27, 1939.⁷⁵

Sent by air mail to Peiping for repetition to the Department by naval radio. Peiping please repeat to Chefoo.

Repeated to Chefoo by mail, to Chungking.

GREW

793.94112/357 : Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, April 12, 1940—6 p. m.
[Received April 13—6: 15 a. m.]

34. Reference my 22, March 8, 6 p. m. and 30, March 22 [23?], 5 p. m.⁷⁶ The Japanese Consul General called at my office (as well as at other Consulates) and handed me a copy of statement (which has also been given to the press) to the effect that the Japanese armed forces would from April 20 permit general trade to and from Canton Harbor subject only to measures for maintaining peace and order and to necessary military restrictions. He also handed me copies of memorandum given to the British and Portuguese Consuls concerning the operation of vessels of their respective nationalities between Canton and Hong Kong and Canton and Macao.

The memorandum provides that the vessels British, Portuguese and Japanese now carrying passengers between the above mentioned ports will be permitted beginning April 20 to carry import and export

⁷⁴ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 833.

⁷⁵ Latter not printed.

⁷⁶ Neither printed.

cargo without special permission except for prohibited or restricted goods a list of which was not furnished. It is expected, however, that such a list will be issued before the above mentioned date.

This is the initial step in the Japanese plan for the reopening of the Pearl River as outlined in my telegram 22 under reference. In response to my question regarding the institution of customs control over commercial cargoes carried by Japanese Government chartered vessels, my colleague stated that that approach is being considered and that he hoped it would be arranged in the near future. With regard to a possible occasional visit to Canton of American vessel such as an oil tanker, he stated that favorable consideration to an application for entry would be given.

The Department will be kept informed of developments.

Repeated to Peiping, Chungking, Shanghai and Hong Kong.

MYERS

611.939/300 : Telegram

The Secretary of State to the Consul at Swatow (Yearns)

WASHINGTON, April 24, 1940—noon.

7. Your 10, April 19, noon.⁷⁷

1. Please report circumstances or details of any arrangement with shippers under which Mitsui Bussan Kaisha was in position to assess an 11 percent ad valorem "duty" on a shipment of American-owned cargo to Swatow.

2. The Embassy at Peiping is requested to send to Tokyo a copy of this telegram and of Swatow's telegram under reference.

Sent to Swatow. Repeated to Peiping.

HULL

893.516/676

*The British Embassy to the Department of State*⁷⁸

AIDE-MÉMOIRE

There is good reason to believe that a new bank of issue in Central China may be set up by Wang Ching-Wei under Japanese auspices. The Chung Ya Bank, recently set up as a commercial institution, might well develop later as a bank of issue. Regulations were in fact promulgated and enforced by the Nanking Government on April 12th for the establishment of a Central Bank Preparatory Committee whose duties include measures for the reorganization of existing currencies and arrangements for the issue of a new currency.

⁷⁷ Not printed.

⁷⁸ Handed on April 24 to the Adviser on Political Relations (Hornbeck) by the Counselor of the British Embassy (Butler).

It has been suggested that British, United States, and French bankers should be encouraged to adopt a concerted policy in opposition to any new note issue sponsored by the Japanese. This would be the same attitude as was adopted towards the Federal Reserve Bank. The question has been discussed with the British eastern banks and they are prepared to fall in with this suggestion. His Majesty's Government in the United Kingdom would be grateful to learn whether the United States Government would be prepared to encourage their banks to adopt a similar attitude.

His Majesty's Government would also appreciate being informed whether the United States Government would be willing to make parallel representations secretly to Tokyo with His Majesty's Government on this subject. There seem to be sufficient indications of an intention to set up a new bank of issue to warrant a warning being given in Tokyo as soon as possible. It is felt that if representations to the Japanese Government are made before the new bank is launched there may be a chance of stifling the whole project, but once it is launched, Japanese "face" will be involved and representations are likely to be in vain.

WASHINGTON, April 24, 1940.

893.516/672a : Telegram

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

WASHINGTON, April 24, 1940—7 p. m.

127. 1. There have been a number of indications that the Nanking regime may soon establish a new "central bank" and issue a new currency. Bearing in mind the preferential position which has been afforded to Japanese commerce and enterprise in Manchuria, Inner Mongolia, and north China by the currency systems, with their accompanying controls of trade and exchange, which have been established by the Japanese-sponsored authorities in those areas, the Department has ample reason to anticipate that the establishment of a new "central bank" and the issuance of a new currency in central China would result in serious discrimination against and consequent detriment to American trade and enterprise in the important central China area. It seems likely that any new currency which may be issued would be pegged to the yen and be supported by exchange and trade control, thus bringing central China within the "yen bloc" and establishing a fundamental discrimination in favor of Japanese commerce and enterprise as compared with the commerce and enterprise of the United States and other third countries.

2. The Department views the probabilities in regard to this important matter with great concern.

3. The Department has noted with special interest paragraph 3 of your telegram No. 256, April 17, 7 p. m.,⁷⁹ in which you report a growing loss of confidence in Japan in the conception of East Asia as a self-sufficient economic unit. This development would seem to offer a hope that influence could be brought to bear in Japan which might dissuade the Japanese Government from making a new currency move in central China. Accordingly, the Department would welcome any suggestion which you may have in regard to possible action by this Government which might be best calculated to contribute to the end desired.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

HULL

611.939/302 : Telegram

The Consul at Swatow (Yearns) to the Secretary of State

SWATOW, April 26, 1940—1 p. m.

[Received 3:13 p. m.]

15. Department's 7, April 24, noon. Last August the International Embroidery Association of Swatow appointed one member to represent the association in negotiations with the Japanese authorities regarding shipments of merchandise and importation of material. He approached the Japanese Consul who referred him to Mitsui Bussan Kaisha; the representative was given to understand by the Consul that decisions or arrangements with Mitsui had the full respect and backing of the Consulate. (See my despatch 17, April 1⁸⁰ which has gone forward to the Department.)

The representative states that Mitsui's original proposal for a 12% ad valorem assessment on the linen was later reduced to 11%. There was no written agreement concerning the conditions upon which the importation was to be allowed but the verbal discussions and arrangements made were accepted by the association. Each firm was given a receipt for the amount paid on April 17. The representative states that Mitsui had to obtain permission of the military before the material was imported. Mitsui also informed the representative that 1 percent of the assessment will be abolished by that firm and that 10% would go to the local authorities as a "voluntary contribution." The disposition of the payments made by merchants cannot be ascertained but it is believed that very little is turned over to the local authorities.

Repeated to Peiping.

YEARNES

⁷⁹ *Ante*, p. 317.

⁸⁰ Not printed.

793.94112/362 : Telegram

*The Consul General at Canton (Myers) to the Secretary of State*CANTON, April 26, 1940—6 p. m.
[Received April 26—2: 53 p. m.]

43. Referring to my telegram Number 34, April 12, 6 p. m. Japanese plans for a restricted cargo service by the vessels carrying passengers between Hong Kong and Canton envisaged in the memorandum addressed to the British Consul General which was mentioned in my telegram under reference have not as yet been put into effect.

Conditions subsequently advanced by the Japanese for the alleged purpose of preventing smuggling of cargo into unoccupied areas and considered particularly objectionable by the British are: (1) that lighterage at Canton shall be restricted to members of the recently organized Canton Stevedore and Godown Association (which third power shipping concerns have been invited to join) and (2) that Japanese be permitted to station a small unit of soldiers at the British company's godowns to watch the removal of cargo from steamers to godown and from godown to lighters. With regard to the latter condition the Japanese authorities have stated that until it is accepted the memorandum referred to above cannot be put in put [*effect*].

The British Consulate General regards the new conditions relating to British shipping as unacceptable and holds that the bilateral agreement under which British and Japanese ships have been operating between those ports cannot be unilaterally abrogated and is therefore still in effect.

The British shipping company has announced that for the time being the steamship *Fatshan* will carry only passengers and their personal effects.

Repeated to Peiping, Chungking, Shanghai, Hong Kong.

MYERS

711.94/1484 : Telegram

*The Ambassador in Japan (Grew) to the Secretary of State*TOKYO, April 27, 1940—2 p. m.
[Received 6: 48 p. m.]

289. [Here follows report similar to memorandum by the Ambassador, dated April 26, printed in *Foreign Relations, Japan, 1931-1941*, volume II, page 62.]

7. Later in the evening Dooman⁸¹ conversed at considerable length in the Japanese language with Mr. Arita who talked freely on the

⁸¹ Counselor of Embassy.

subject of Japan's plans for the establishment of an economic bloc in the Far East. It should be noted that this was purely an informal after-dinner talk and not an official conversation.

8. Dooman asked whether Mr. Arita had in any way revised the thoughts expressed on this subject more than 2 years ago (our 744, Nov. 19, 8 p. m., 1938⁸²). The Foreign Minister replied emphatically that he had not, and he added that it was unfortunate that the American Government did not seem to understand that the purpose of the "new order in East Asia" is the supplementing of national defense and not the elimination of American and other foreign commercial enterprises from China. When told that the junior officers in the Foreign Office contend that the various enterprises of a monopolistic character now being set up in China are merely concomitants of the military operations, that they are ephemeral, and that they are not a part of the new order, Mr. Arita replied that these officers do not know what they are talking about. He said that it was true that some of these enterprises were temporary in character and were made necessary by the military operations and would be suppressed when need for them disappeared, but that those which are designed to produce or to facilitate the production of materials needed for national defense are permanent.

9. On the subject of the creating of a more liberal world economy upon the conclusion of the European war, Mr. Arita was ironic and pessimistic. He said that ideally, idealism and optimism arose at the end of every war, but that they invariably collapsed sooner or later. He for one did not set much store on the prospects of a workable arrangement being set up after the end of the present war which would liberalize trade and also give each nation economic security. When asked what Japan with a closed economy would do if such an arrangement could be worked out, he replied that he did not think it likely that the arrangement would continue for long. He insisted that Japan is subjected to pressure by threats of boycotts, embargoes and sanctions and that she must acquire access to raw materials which would enable her to travel on terms of equality with economically self-sufficient nations and empires, and which would make for her security in the event of war. On the observation that the cooperation and friendship of the United States which would result from identity of American and Japanese policies should be worth much more to Japan than an economic bloc in the Far East, Mr. Arita made no comment.

10. Mr. Arita was then reminded that the American Government has expressed readiness to confer with Japan along with other inter-

⁸² *Foreign Relations*, 1938, vol. iv, p. 93; see also *Foreign Relations*, Japan, 1931-1941, vol. i, p. 801.

ested nations and that no response had been made by Japan. He replied that no precedent had necessarily to be definitive, that changes in the Far East are now in process, and that it would be useless to attempt to revise the Nine Power Treaty until the position had become clear. He was obviously embarrassed by the suggestion that perhaps Japan would not indicate willingness to confer with the other powers until she could present an accomplished fact, and he ended the conversation by saying that he would call in Dooman for a further talk.

11. There was certainly no indication that Mr. Arita shares the doubt of other Japanese referred to in our 227, April 2, 9 p. m.,⁸³ as to the worth of the Far Eastern economic bloc, but his readiness to argue the question of the bloc in relation to a prospective liberal economy tends strongly to confirm the information brought to me that the subject is a live issue.

12. In view of our infrequent contacts with the Foreign Minister, I have felt it desirable to report the foregoing conversations fully and in detail.

GREW

893.516/673 : Telegram

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

ТокYO, April 27, 1940—3 p. m.
[Received April 27—8: 04 a. m.]

290. Department's 129, April 25, 6 p. m.⁸⁴ Projected new bank of issue and new currency in Central China.

1. My British colleague tells me that he has discussed this matter once or twice informally with the Vice Minister for Foreign Affairs⁸⁵ who appeared vague and unfamiliar with the reported project. Sir Robert Craigie pointed out that the carrying out of the proposed project would result in difficulties with third powers similar to those that have arisen through exchange control in North China but that the new difficulties would be far more serious because of the greater strength of their financial position in Central China.

2. Sir Robert feels that in the absence of concrete evidence that the reported project is about to materialize it would be wise in the first instance to limit our representations to parallel inquiries as to the accuracy of these reports, such inquiries to be filed at the Foreign Office in the form of memoranda by the American, British and French Ambassadors. Craigie handed the French Ambassador and myself

⁸³ *Ante*, p. 310.

⁸⁴ Not printed; it reported the British *aide-mémoire* of April 24, p. 511.

⁸⁵ Masayuki Tani.

copies of his proposed memorandum and hopes that I may be authorized by my Government to take parallel action. Please instruct.

GREW

793.94112/363 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, April 29, 1940—5 p. m.

[Received April 29—10:50 a. m.]

364. Shanghai's 661, July 28, 4 p. m.⁸⁶ Japanese Consul General has communicated to Senior Consul a letter dated April 26 on behalf Japanese naval authorities regarding navigation of third power merchant vessels in vicinity Wenchow, requesting notification of interested colleagues "in order to preclude the possibility of any untoward incidents." He forwarded naval authorities statement as follows:

"The Imperial Japanese Navy have learned that recently there have been several cases in which merchant vessels without lights have given a total disregard of the signals to stop by the Japanese patrolling men of war in the vicinity of Wenchow.

The Japanese naval units have been refraining from taking any positive measures, taking into consideration the fact that the vessels might be those of third power. However, as it is difficult to differentiate these vessels from those possessing enemy character, the Japanese naval patrols may hereafter take such steps as deemed necessary to cope with the situation.

In view of the foregoing, the Japanese naval authorities are desirous that vessels of third powers will take due care in conducting themselves in such a way that no doubts can be raised as to their identity.

Furthermore, the Imperial Japanese Navy cannot assume any responsibility for whatever eventuality that might befall contrary to those expected by the Japanese Navy. It is, therefore, desired that third powers shipping companies be advised accordingly.["]

Copy of Japanese Consul General's letter sent to Commander-in-Chief Asiatic Fleet. Department's instructions requested.

Repeated to Peiping, Chungking, Hong Kong, Foochow, Amoy, Swatow, Canton, by air mail to Tokyo.

BUTRICK

711.94/1484 : Telegram

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

WASHINGTON, April 29, 1940—8 p. m.

135. Your 289, April 27, 2 p. m. Your full and informative account of your and Dooman's conversations with the Foreign Minister is

⁸⁶ *Foreign Relations*, 1939, vol. III, p. 791.

greatly appreciated. We are impressed by the thoroughness of your preparedness and the skillful use which you made of the opportunities to present to the Foreign Minister important considerations bearing upon the desiderata of American policy with reference to the present situation in China and Japanese interference with American rights and interests.

HULL

793.94112/364 : Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

HANKOW, April 30, 1940—3 p. m.
[Received April 30—10:33 a. m.]

34. Japanese interference with American rights and interests. During an interview this morning with the Japanese Army liaison officer at Hankow a member of my staff was informed:

1. The Yangtze will be closed to third power travel until sometime in June. Third power nationals will not be allowed to travel by air between Shanghai or intermediary points and Hankow.

2. Japanese civilians and Chinese civilians not on the "black list" may travel on the Yangtze.

3. Regular passenger and [mail] schedules will be maintained.

The liaison officer first implied that the restrictions were due to a fear of third power observation of military "secrets", then stated that they were imposed to protect third power nationals. The objection to travel by air was that the route is partly prohibited areas.

This temporary denial of travel to all third power nationals was due, the liaison officer declared, to the Japanese authorities' lack of power to discriminate, as they do with the Chinese, between those individuals cooperating with the Japanese and those not doing so.

This office believes that in part these restrictions indicate Japanese anxiety over increased Chinese military activity along the Yangtze and preparation of Japanese offensive action. It has not yet been possible to determine whether actual risks of travel are so great as to extenuate the "protective" [*such discriminatory "protection" of*] Americans and other third power nationals.

It is known that seven American citizens contemplate applying for steamer transportation to Shanghai during the month of May. Appropriate representations will be addressed by this office to local Japanese authorities.

Repeated to Chungking, Peiping and Shanghai.

SPIKER

893.61331/215 : Telegram

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

TSINGTAO, May 1, 1940—9 a. m.

[Received 9:48 a. m.]

67. The Asia Affairs Board is exerting strong pressure on Universal Leaf Tobacco Company to sell its stock of Shantung leaf to the North China Leaf Tobacco Co., which is the combine of the three leading Japanese leaf tobacco firms. The Universal Company has actually offered some of its stocks to the North China Company, which, however, insists on buying practically all of the former's purchases made in the 1939-40 season which officially ended last month. Universal Company has applied for permission to export tobacco to Shanghai in conformity with article 8 of agreement signed by the company on December 8 last. The Asia Affairs Board insists that the American firm must dispose of tobacco to the North China Company and cites article 7 [as] authority. The American Company has pointed out that the North China Company is not a cigarette manufacturing company and that its operations are in no way different from the Universal, both companies being exclusively dealers in leaf tobacco.

2. I have seen the Japanese Consul General and have made representations that the Asia Affairs Board's interference with the affairs of the American firm is absolutely unwarranted and that we cannot admit such pressure on this firm. The Consul General promised to refer matter to the Asia Affairs Board.

3. The Shanghai office of Universal is writing to our Tokyo Embassy, which the company wishes to make vigorous representations to Tokyo Foreign Office.⁸⁷

Repeated to Peiping, code text by air mail to Tokyo.

SOKOBIN

793.94112/363 : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, May 1, 1940—6 p. m.

189. Your 364, April 29, 5 p. m. As the attitude and position of this Government in regard to notifications of this nature from the Japanese authorities have been made abundantly clear on a number of occasions in the past, it is not considered that a reply by you in this instance would serve any productive purpose.

It is suggested that you informally communicate the substance of

⁸⁷ Formal representations were made to the Japanese Foreign Office by the American Embassy in Japan on May 28.

the Japanese Consul General's letter to the local offices of American shipping companies who may be concerned, for their information.

Sent to Shanghai. Repeated to Chungking, Peiping and Hong Kong.

WELLES

893.516/676

The Department of State to the British Embassy

AIDE-MÉMOIRE

Reference is made to the British Embassy's *aide-mémoire* of April 24, 1940, left at the Department by Mr. Butler, in regard to the probable establishment of a new "central bank" and the issuance of a new currency in central China. The information furnished by the British Embassy coincides with this Government's information on the subject.

The Government of the United States has noted that the question of adopting a common policy in opposition to a new note issue sponsored by the Japanese has been discussed by the British Government with British banks in the Far East and that those banks are prepared to act in accordance with such a policy. The Government of the United States has asked the American Consulate General in Shanghai to inform representatives of American banks there that, while the Government is aware that American banks have responsibilities and interests of their own which they must protect, this Government hopes that American banks will cooperate with other foreign banks in China to the end of maintaining a common front against any new financial measures which may be instituted in central China by the Japanese-sponsored authorities there and that they will be able to avoid action which might assist the Japanese-sponsored authorities in any way in the launching of a new currency.⁸⁸

With regard to the British Government's inquiry whether this Government would be willing to make parallel representations with the British Government at Tokyo in regard to the establishment of a new "central bank" and the issuance of a new currency in central China, the Department had, prior to the receipt of the British Embassy's *aide-mémoire* of April 24, 1940, drafted a communication to Ambassador Grew on this subject. Ambassador Grew has been authorized to discuss this matter with the British Ambassador at Tokyo and, in his discretion, to make appropriate representations at the Foreign Office.

WASHINGTON, May 2, 1940.

⁸⁸ In telegram No. 415, May 14, noon, the Consul at Shanghai informed the Department that its attitude had been set forth to the heads of the three American banks (893.516/681).

893.516/673 : Telegram

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

WASHINGTON, May 2, 1940—7 p. m.

141. Your 290, April 27, 3 p. m.

1. The Department authorizes you, in your discretion, to make an approach in regard to the subject under reference to the Japanese Foreign Office in such manner and form as you may consider appropriate.

2. The Department's 129 of April 25, 6 p. m.,⁸⁹ was not intended to supersede its 127 of April 24, 7 p. m., but to communicate to you information pertinent to your consideration of its 127. Accordingly, the Department would welcome in conjunction with your report on action taken in response to paragraph 1 above any suggestions that may occur to you in regard to possible further action which might be helpful toward dissuading the Japanese Government from proceeding with any plan for a new bank and a new currency in central China.

3. For your information, according to Shanghai's 281, April 6, noon⁹⁰ (a Commercial Attaché telegram which was not repeated to you), the Japanese Minister of Finance on March 31 stated that a new currency would be established sooner or later in central China under auspices of the Nanking régime. In another Commercial Attaché telegram, Shanghai's 312, April 16, 11 a. m.,⁹¹ it was stated that the Nanking régime on April 12 promulgated regulations governing the formation of a preparatory committee for organizing a central bank and that the committee had been empowered to draft plans for the issuance of the new currency and in regard to the functions of a central bank. It may also be noted in this connection that it would appear from Shanghai's 291 of April 10, 3 p. m., to the Department⁹¹ that Japanese businessmen and civilian officials at Shanghai would be inclined to disfavor the institution in central China of a new currency.

Please mail code text to Shanghai.

WELLES

793.94112/375

*The Consul General at Canton (Myers) to the Ambassador in China (Johnson)*⁹²

No. 75

CANTON, May 7, 1940.

SIR: I have the honor to refer to my despatch no. 56 of March 1, 1940,⁹¹ in regard to the Temporary Regulations of the Pearl River

⁸⁹ Not printed; it reported the British *aide-mémoire* of April 24, p. 511.

⁹⁰ Not found in Department files.

⁹¹ Not printed.

⁹² Copy transmitted to the Department by the Consul General at Canton in his unnumbered despatch of May 7; received June 5.

Pilotage Service and to enclose a copy of the Japanese Consul General's reply of April 23, 1940,⁹⁴ to my representations of February 17, 1940,⁹⁵ in which he states that the pilotage ground being within the occupied zone of the Japanese forces "where a state of war still exists", it is proper that the responsible authorities "shall deal with and punish any acts harmful to the maintenance of peace and order or to military requirements committed by any national".

There is enclosed a copy of my reply of this date to the Japanese Consul General⁹⁴ in which a reservation of all American rights involved was made.

The Embassy's attention is invited to the language used by the Japanese Consul General in his reply to this office which, it is thought, might be interpreted as an assertion of belligerent rights and which would seem to be inconsistent with assurances given by the Japanese Government of respect for the interests and rights of third power nationals.

It may be mentioned that my British Colleague received a letter from the Japanese Consul General in regard to this matter which contained similar statements.

Respectfully yours,

M. S. MYERS

793.94112/366 : Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

HANKOW, May 17, 1940—4 p. m.

[Received May 17—10:25 a. m.]

36. My 34, April 30, 3 p. m., closure of Yangtze to third power nationals. A member of my staff called at the Japanese Army liaison office on May 15, where he was told that travel on the Yangtze continues to be prohibited until an indefinite date. Pressed for reasons for the restriction, the liaison officer would only say "military necessity".

The opinion of this office after extensive inquiries is that travel on the Yangtze to and from Shanghai is now no more hazardous than at any time since the occupation of Hankow. In view of this, the discrimination against Americans and other third power nationals would seem to be inspired by political considerations.

Repeated to Chungking, Peiping and Shanghai.

SPIKER

⁹⁴ Not printed.

⁹⁵ See telegram No. 50, February 12, 3 p. m., from the Counselor of Embassy in China, p. 498, and footnote 52.

893.516/683 : Telegram

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

TOKYO, May 27, 1940—9 p. m.

[Received May 27—9 a. m.]

382. Alleged intention to establish a new central bank of issue in China.

1. An informal letter on this subject was addressed by me to the Minister for Foreign Affairs today. After indicating the reports which have recently been current concerning the intention of the Nanking regime to establish a new bank of issue and the resultant discrimination against American trade and enterprise in China, and stating emphatically my Government's serious concern, the letter points out that such action, if allowed by the Japanese authorities, would be contrary to the assurances received on many occasions and requested any pertinent information which the Minister might have.

2. My British and French colleagues have made similar representations today.

GREW

893.516/684 : Telegram

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

TOKYO, May 27, 1940—10 p. m.

[Received May 27—9:42 a. m.]

383. Continuing my 382.

3. With regard to paragraph 2 of the Department's telegram 141, May 2, 7 p. m., in view of the events in Europe and of their possible consequences at present monopolizing attention in Japan and hindering clarification of Japanese foreign policy, and with reference to Shanghai's 415, May 14, noon, to the Department,⁹⁶ I cannot suggest any further steps which could be usefully taken at this time. We shall continue to follow the situation closely and make future recommendations if and when further action may appear helpful or necessary.

GREW

793.94112/367 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, May 29, 1940—6 p. m.

[Received May 29—3:25 p. m.]

467. My 364, April 23 [29], 6 [5] p. m., Hankow's 36, May 17, 4 p. m., transportation of Americans to Kiukiang and Hankow. American

⁹⁶ Not printed.

applicants are waiting for Japanese landing permits and transportation to Kiukiang and Hankow. The Japanese authorities have not issued succeeding permits or arranged such transportation since March 26. They have based their refusals on the grounds of "military necessity". The Japanese authorities now stating they expect to send a transport to Hankow with facilities for a limited number of foreign passengers on June 5. Since many applicants of British and other nationalities are also awaiting transportation, it is extremely improbable that all the American applicants will be afforded accommodations if the transport does go on June 5.

The U. S. S. *Luzon* and the U. S. S. *Guam* are leaving Shanghai for Hankow and way ports on May 31. The American naval authorities offered to send the U. S. S. *Isabel* also in order to afford transportation for American applicants if Japanese landing permits for the applicants could be obtained. Notwithstanding repeated urgent representations by this office, the Japanese authorities have refused to issue landing permits for American civilians desiring to proceed to Kiukiang and Hankow on American naval vessels. The Japanese authorities have agreed to issue such a permit to Vice Consul Staten because he is a Government official. In connection with the attitude of the Japanese authorities toward the transportation of Americans on American naval vessels, please refer to this Consulate General's despatch No. 2462, August 24, 1939⁹⁸ reporting the request of the Japanese that the American naval authorities should not provide such transportation.

This office is under considerable pressure from Americans who have been awaiting transportation to Kiukiang and Hankow for a long time, and it is therefore suggested that the Department may wish to have the Embassy take up the matter with the Japanese Government in an endeavor to obtain early transportation for these Americans.

Repeated to Chungking, Hankow and Tokyo.

BUTRICK

793.94112/368 : Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

HANKOW, May 30, 1940—10 a. m.

[Received May 30—4: 15 a. m.]

42. Reference my 34, April 30, 3 p. m. Japanese military liaison officer here has stated that restrictions on travel on the Yangtse by third power nationals have been lifted. Japanese Consulate General

⁹⁸ Not printed.

has today indicated further steps are being taken in relation to the transportation to Shanghai of Americans now awaiting passage.

Repeated to Chungking, Peiping and Shanghai.

SPIKER

893.5151/746

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

[Extracts]

No. 4764

TOKYO, June 8, 1940.

[Received July 2.]

SIR: . . .

Under present circumstances the China dollar serves the purpose in China of both Chinese and Japanese as a medium of exchange in local and international trade, and it is therefore to the advantage of both sides in the conflict to prevent it from being completely destroyed. To the Japanese, in addition to the *fapi's* usefulness as a means for acquiring foreign exchange, wherever it circulates in the occupied areas it relieves them of the necessity of creating and maintaining a new substitute currency. The Japanese show strong reluctance toward taking on the responsibilities of a new currency at the present time, having been taught a severe lesson with the Federal Reserve Bank currency in North China. Details of the negotiations now being carried on at Nanking between General Abe and Wang Ching-wei in regard to the proposed establishment of a new bank of issue have not been revealed, but everything points to an extremely cautious attitude on the part of the Japanese. What they fear, in connection with the recently exhibited weakness of the *fapi*, is that before they are fully prepared they may be forced to take some countermeasure which will have the effect of imposing a further burden on the already overladen yen.

The question of a new currency in central China is of direct concern to American interests because until Japan solves the problem in a manner satisfactory to herself it is highly unlikely that the promised opening of the Yangtse river will eventuate. Interpellations in the late session of the Diet showed clearly the Japanese fear that in the absence of the present rigid control now exercised by them over trade on the river that Japanese merchants trading in the fictitiously valued yen-linked military notes would find it impossible to compete with foreign traders using the China dollar. It is therefore unlikely that the present onerous conditions now imposed on American and other foreign traders in the Yangtse Valley can or will be mitigated until the currency problem is solved.

During 1939 Japan's exports to the yen bloc areas were about fifty percent of the nation's entire foreign export trade. By value such exports were Yen 1,747,103,000, having almost trebled since 1936 when the figure was Yen 657,715,000. Were those enormous contributions of Japanese goods balanced by imports of other commodities urgently needed by Japanese industry the trade would be regarded as healthy regardless of the medium of exchange. The fact is, however, that imports from yen bloc areas during the same period were only Yen 682,973,000, having shown moderate increase over the 1936 figure of Yen 394,253,000. Japanese exports to China south of the Great Wall in 1939 were 455 million yen, or more than double the imports which were 215 million yen. In one sense it might be said that the Japanese have been making a present to the residents on the continent of goods almost three times the value of those received in return and have accepted as compensation for the difference their own depreciated paper.

Since the beginning of the present year this trend toward a one-sided export trade has shown an accelerating tendency in proportion to the rapid rate of increase in commodity prices on the continent. Thus there is in evidence a vicious circle of inflation and depreciation in China leading to increasing pressure on Japanese economy and strain on Japanese industry exerted through the medium of the yen-linked currencies. To ease this pressure the Japanese have recently adopted increasingly stringent measures such as the recent prohibition against the exchange of yen-linked notes by banks in China. Other such measures are the recently announced restrictions on travel by Japanese to the continent and the negotiations now being carried on in Tokyo regarding a plan to strengthen the control over the movement of industrial funds to the continent.

The foregoing discussion, as the title ⁹⁹ would suggest, has been concerned only with Japan's problems in connection with the yen-linked currencies on the continent. On the other hand, along with these problems Japan has undoubtedly derived much benefit from those currencies. Certainly the FRB currency has simplified the problem for Japan of ousting foreign non-Japanese interests and trade from North China. It is questionable, however, whether in the long run Japan stands to gain more than to lose through the employment of these currencies, especially in view of the increasingly uncertain outcome of the hostilities. A feeling of disillusionment over the results of the yen-linked currency experiments is unmistakably manifest among the Japanese and may account to a considerable extent for the misgivings over the wisdom of pushing forward with plans for a

⁹⁹ "Yen-Linked Currency Problems".

closed economy in China, which I have reported by telegram as a new and significant development in this country.

Respectfully yours,

JOSEPH C. GREW

793.94112/382

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

No. 4786

TOKYO, June 19, 1940.

[Received July 23.]

SIR: I have the honor to refer to my despatch No. 4756 dated June 6, 1940, concerning the transportation of Americans to Kiukiang and Hankow, and to transmit herewith a copy in translation of a *note verbale* dated June 14, 1940 from the Foreign Office.¹ It is stated in the note that, owing to strategic circumstances, the Imperial army since the end of March 1940 had prohibited the nationals of third Powers from going up the Yangtze River from Shanghai to Kiukiang and Hankow and since the end of April 1940 from coming down the Yangtze from Hankow. Recent conditions having become such that travel of third Power nationals is to some extent permissible, arrangements were made for the military ship *Koa Maru* to leave Shanghai for Hankow on June 12 to transport almost all third Power nationals waiting to go up the Yangtze. Twenty-eight Americans were included among third Power nationals. Six Americans were included in a total of eighteen third Power nationals who were given permission to go down the Yangtze on the military ship *Koto Maru* on June 4, 1940. It is expected that practically all persons desiring to go down the Yangtze will be transported on June 8, 12, and 15.

Respectfully yours,

JOSEPH C. GREW

693.006 Manchuria/18 : Telegram

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

WASHINGTON, July 11, 1940—6 p. m.

260. Reference Tientsin's 102, June 27, 5 p. m., and Tientsin's Nos. 112, 113, 114 and 115, all sent on July 4, 117, July 6, 6 p. m., and 118, July 6, 7 p. m.² The Department desires that unless you perceive objection you call at the Japanese Foreign Office and make an approach along lines as follows:³

The Japanese Government will recall the repeated representations of the Government of the United States in regard to the discriminatory treatment accorded American trade in north China as compared with

¹ Neither printed.

² None printed.

³ The Ambassador presented *aide-memoire*, dated July 15.

the treatment accorded Japanese trade as a result of the control exercised by the Japanese-sponsored authorities there over the exchange accruing from exports and thus indirectly over imports. The Government of the United States is not aware that there has been any amelioration of the situation thus complained of. It is now learned that the Japanese-controlled authorities in north China have established full exchange control over imports as well as over shipments from central and south China, thus completing their control over the trade of the area.

Under new regulations which have been issued a merchant desirous of importing into north China cereals from any country or region other than Japan or Manchuria must obtain from a local bank an "application for buying exchange" confirmed by the "Federal Reserve Bank". An importer of any other commodity from any country or region other than Japan or Manchuria must, unless he is able to obtain a permit for import "without exchange", obtain approval from the so-called Federal Reserve Bank of an "application for indent" even as a prerequisite of "linking" his imports with corresponding exports, if he is able to arrange such a transaction. Moreover, no provision whatever has been made in the new regulations for imports on consignment, the method used by large distributors of petroleum products, dyes, chemicals and other lines. American businessmen in north China gravely apprehend that the new regulations will result in an enforced sharp decline in trade with the United States.

The additional disabilities imposed on non-Japanese trade with north China are oppressive. Meanwhile, under the trade and currency system which has been set up by the Japanese controlled authorities in north China, Japan's trade with north China is allowed to continue practically on the same basis as domestic trade.

The Japanese Government has heretofore declared its intention to uphold the principle of equality of treatment in China. The notice issued by the Superintendent of Customs at Tientsin in connection with the new regulations specifically exempts imports from Japan or Manchuria from the application of those regulations, and thus publicly advertises that the regulations are discriminatory.

The Government of the United States makes full reservation of rights in regard to these discriminations and emphatically requests that they be removed. An early reply is requested in regard to the intentions of the Japanese Government in regard to this matter.

Sent to Tokyo via Peiping. Repeated to Tientsin and Chungking.
HULL

793.94112/381 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 15, 1940—3 p. m.

[Received July 15—10: 58 a. m.]

639. The Japanese Consul General sent me today a copy of the proclamation quoted below by Vice Admiral Shimada :

"Proclamation is hereby declared that, by reasons of military necessity, as from midnight between the fifteenth and sixteenth July, 1940,

entrance by all vessels, including those of third powers, to the areas given below will be prohibited, and that any vessel entering or attempting to enter the said areas in defiance of this prohibition will be detained by naval forces under my command. Consequently, I cannot assume any responsibility for losses, either direct or indirect, that might be suffered by vessels or crews thereof entering or coming out of the said areas after the said time.

The area extending over Hangchow Bay and Hsiangshan-Pu or Nimrod Sound, enclosed by the straight line connecting Hsushan or Middle Sieshan and West Volcano Lighthouse, the longitudinal line crossing Shankiamen or [or?] Chusan Island, and the latitudinal line crossing Shankiamen or Chusan Island, and the latitudinal line crossing the southern extremity of Luhwang-two [*Luhwang-shan?*].

2. The area extending over Wenchow harbor with its environs and Loching Wan, enclosed by the straight line connecting Napai Shan and eastern extremity of Tungtou Shan and the latitudinal line crossing Panmien Shan.

3. The area extending over Santuao and Layuan Wan west of 340 degrees line from rugged point.

4. Foochow Bay and its environs enclosed by the longitudinal line crossing Tinghai and the 45-degree line from Black Head.

This proclamation in no way prejudices my proclamation dated the 7th May 1940, on the prohibition of navigation by Chinese shipping. Vice Admiral Shigetaro Shimada, commander in chief of the Imperial Japanese-China Seas fleet, 15th July 1940."

The senior American naval officer present and American organizations known to this Consulate General to be concerned have been informed.

Repeated to Chungking, Peiping and Foochow. By air mail to Tokyo, Tsingtao for Commander in Chief. Rear Admiral Glassford informed.

BUTRICK

693.006 Manchuria/33 : Telegram

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

PEIPING, July 24, 1940—4 p. m.

[Received July 25—8 : 40 a. m.]

251. Peiping's 244, July 20, 9 a. m., Chungking's July 22, 9 a. m. to Peiping (repeated to the Department) ⁴ and related telegrams in regard to the new North China import restrictions.⁵

The Embassy here regards the new restriction on imports as another step in furtherance of Japanese plans for economic hegemony in

⁴ Neither printed.

⁵ Imports were dependent upon the granting of bank import permits.

North China. This particular part of the program follows closely the pattern set up in Manchuria, the principal underlying motive of which is the control of currency should be so regulated that all foreign exchange derived from North China's foreign trade should pass into Japanese hands. It is obvious that principles of fair competition and equal opportunity have no part in the Japanese program. American business in Peiping as well as in Tientsin are emphatic in their belief that if these new regulations are continued in force American trade in North China will be placed on the same basis as in Manchuria. It is the considered opinion of the Embassy here based on past developments that representations on this matter to the Japanese Government will be ineffective and unless backed up by a definite intimation to the Japanese Government that a refusal to remove the present impediments to American trade in North China will result in the immediate enforcement of counter-measures against Japanese trade with the United States.

Sent to the Department. Repeated to Chungking, Tokyo, Tientsin.

SMYTH

693.006 Manchuria/38a : Telegram

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

WASHINGTON, July 27, 1940—5 p. m.

122. Tientsin's 128, July 17, 2 p. m., 129, July 17, 8 p. m.; Chungking's July 22, 9 a. m., to Peiping; Peiping's 244, July 20, 9 a. m., 246, July 22, 2 p. m.;⁶ and other telegrams in regard to import exchange restrictions in north China.

The Department's position in regard to the new import exchange measures having been made clear to the Japanese Government in the representations which were made by Ambassador Grew in Tokyo on July 15,⁷ the Department is of the opinion that embassy and consular officers should lend all the assistance which they may consider appropriate to American citizens and firms who seek to carry on trade under the new regulations and seek to obtain reasonable adjustments and modifications of those regulations.

With reference to Tientsin's 128, July 17, 2 p. m., the Department concurs in the view that American firms should be advised to decide for themselves whether or not to comply with the new regulations. With reference to Tientsin's 129, July 17, 8 p. m., the Department perceives no objection to efforts on the part of the Consulate General to

⁶ None printed.

⁷ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 861.

aid American firms in such circumstances and considers that assistance in such circumstances might appropriately include local representations.

Representations made to agencies of local régimes should be strictly informal. They of course carry no implication of recognition on the part of this Government of the legality of the application of regulations issued by local régimes to American citizens or firms.

Sent to Peiping. Repeated to Tientsin, Chungking and Shanghai. Peiping please send code text by air mail to Tokyo.

WELLES

798.94112/386 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 7, 1940—3 p. m.

[Received August 8—2: 50 a. m.]

751. The motor vessel *Estelle L*, 81 tons, owned by Cabotage and Trading Company, Federal Incorporated United States of America and registered under form 35, was detained by the Japanese Navy off Chekiang coast on July 29. After oral and written representations by this office to the Japanese Consul General, the ship was released and arrived in Shanghai on August 6. The Japanese Consul General has written me stating as follows:

“On the 29th July at 10 a. m., one of the patrol boats of the Japanese Navy observed a merchant man navigating in the Futo channel which is within the area where navigation has been prohibited by the proclamation of Vice Admiral Shimada of July 15, 1940. The vessel was signaled to stop and then subjected to a visit, whereupon it was found that the vessel was the m. v. *Estelle L*, owned by an American firm, and was bound for Kuaotow with certain cargo on board. It was further established vessel had once been visited by the Japanese patrol off Taipingshan on the 17th July, when, however, she was released immediately on the ground that she was trying to clear the prohibited area in good faith. The present detention by the Japanese Navy of the m. v. *Estelle L* is not only the second one, but also this time it is going to be proved that she has attempted to proceed to the prohibited area with the fullest knowledge of the proclamation above referred to. The Japanese naval authorities hold the view that in the event of her being detained for the third time she will never be released.”

The proclamation of July 15 referred to was reported to the Department in my 639, July 15, 3 p. m.

Sent to the Department. Repeated to Peiping, Chungking. By air mail to Tokyo.

BUTRICK

793.94112/386 : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, August 14, 1940—7 p. m.

368. Your 751, August 7, 3 p. m., Japanese detention of motor vessel *Estelle L*, and Department's 400, September 22, 5 p. m., 1937, to Shanghai.³

Having in mind the attitude and position of this Government toward the rights of American citizens and property, including vessels, in relation to areas assertedly marked off by the Japanese authorities as zones of blockade or hostilities, it is suggested that you reply to your Japanese colleague, and inform him that this Government does not recognize or acquiesce in any asserted right by the Japanese naval or other authorities to detain an American vessel proceeding on its lawful occasion.

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

WELLES

793.94112/388 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 15, 1940.

[Received August 15—12: 15 p. m.]

784. Reference my 639, July 15, 3 p. m. On August 12 I received a consular body circular embodying a letter from the Japanese Consul General transmitting the following proclamation :

"I hereby proclaim that my proclamation on the 15th July 1940, on the prohibition of shipping in the areas including Hangchow Bay, Shanghai [*Hsiangshan?*] Pu, Wenchow Harbor, Foochow Harbor, Santuao and Layuan Wan will be extended, by reasons of military necessities, to cover the area given below, and that this proclamation will become effective as from midnight between the 14th and 15th August 1940.

This area enclosed by straight lines connecting, from north to south, Kerr Island and High Cone, High Cone and Pinghai, Pinghai and Pyramid Point and Pyramid Point and Chimmo Point, including in the area, amongst others, Singhwa Wan, Pinghai Wan, Meichow Po, Port Matheson, Chuanchow, Chiang and Chimmo Wan. Tenth August 1940, Vice Admiral Shigetaro Shimada, Commander-in-Chief of the Imperial Japanese China Seas Fleet."

The senior American naval officer present and American shipping companies in Shanghai have been informed.

³ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 371.

Sent to Department, repeated to Peiping, Chungking, Foochow, by air mail to Tokyo.

BUTRICK

793.94112/389 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 16, 1940—3 p. m.

[Received 8:50 p. m.]

790. Reference my 613 [639], July 15, 3 p. m. and 778, August 15.⁹ Japanese blockade of Ningpo, Wenchow and other ports. Letters have recently been received from the National Aniline and Chemical Company, Cabotage and Trading Company, five companies connected with William Hunt interests (all American) and the American Chamber of Commerce at Shanghai regarding difficulties being encountered and losses suffered as the result of the stoppage by the Japanese blockade of all traffic between Shanghai and Ningpo and Wenchow. These letters emphasize that this route was an important one for trade with unoccupied portions of Central China and that its closure, coincident with measures taken in Indochina and the recent restrictions on American shipments out of Shanghai by rail, has seriously interfered with American trade in this part of China. Mention is also made of losses to shipping. In this connection see my 751, August 7, 3 p.m. Standard-Vacuum Oil Company states that it intends requesting representations regarding its desire to despatch a tank steamer to Ningpo.

This office is also informed that a number of American missionaries are unable to return to their homes and places of work in unoccupied parts of Chekiang Province and that Americans in Chekiang wishing to come to Shanghai are likewise unable to do so.

Some parties have complained on the ground that Chinese Maritime Customs at Shanghai is refusing clearance to goods or ships for these ports. Commissioner of Customs has orally confirmed that such action is being taken at Japanese request. I do not consider, however, that pressure on the Maritime Customs will be of any value.

I have written the Japanese Consul General regarding losses by American business interests and inconvenience to American citizens and requesting the removal of all restrictions by Japanese authorities on trade and intercourse between Shanghai and the blockaded ports.

Sent to the Department. Repeated to Peiping, Chungking. Air-mail to Tokyo.

BUTRICK

⁹ Latter not printed.

611.939/335 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 23, 1940—5 p. m.

[Received August 23—4:22 p. m.]

828. In continuation of my 825, August 23, 1 p. m.¹⁰ I consider that the foregoing enumeration of restrictions placed upon the egg business of occidental firms amply justifies the conclusion of the Henningsen Produce Company that it is the intention of the Japanese authorities and interests eventually to eliminate those firms from the trade. Considerable enterprise and adaptability have been displayed by American firms in many instances in their efforts to cope with the restraints placed upon their activities. The inevitability of ultimate failure of such single-handed efforts, however, is foreseen by Henningsen Produce Company which states that they, as an American firm operating in China, can see no way in which Americans out here, individually or collectively, can protect our interests unless our government will take some retaliatory economic measures against the Japanese.

This and other cases of increasing Japanese interference with American commercial interests in China incline me toward the Henningsen opinion. I venture no opinion whether such action would be desirable under the present world conditions.

Sent to the Department. Repeated to Chungking, Peiping. Code text to Tokyo by safe hand.

BUTRICK

393.115 Standard Vacuum Oil Co./280 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 4, 1940—3 p. m.

[Received September 4—1:30 p. m.]

868. Reference my 791, August 16, 4 p. m., and Nanking's 84, August 19, 6 p. m.,¹¹ regarding Japanese interference with American shipments from Shanghai to the hinterland. The Standard Oil Company reports that there has been no relaxation in the restrictions imposed by the Japanese military and naval authorities upon American shipments from Shanghai to the interior. The General Manager of the company recently informed me that Mr. Imoto, mentioned in my 657, July 19, 1 p. m.,¹² has approached him to inquire why the Ameri-

¹⁰ Not printed; it reported restrictions on the egg trade which was strictly controlled by the Japanese military authorities (611.939/334).

¹¹ Neither printed.

¹² *Post*, p. 753.

can businessmen seemed to be against Japan. The General Manager prepared for him a memorandum and at my request supplied me with a copy. Extracts from the memorandum dated August 26 follow:

"In the area served from Shanghai we have been able to make shipments only under permits approved by the Japanese authorities. Permits issued recently also bear the stamp of the Japanese Oil Association which indicates that American oil shipments require the approval of Japanese oil merchants. For the past 6 weeks we have been unable to obtain any permits in our own name and only a few permits for negligible quantities in the names of our Japanese agents.

While few rail shipments have been made to Chinkiang, Nanking and Wuhu, we have been unable to make water shipments to those places and no shipments at all in our own name to Kiukiang and Hankow. On the other hand, during the past few months Japanese importers of petroleum products who have purchased different supplies in free markets abroad have made large shipments from Shanghai to the Yangtze valley points. Our shipments to South China coast ports from Shanghai have been stopped entirely by Japanese action. The situation today is that our business in this area is restricted to city of Shanghai and there is no immediate prospect that the Japanese authorities intend to permit us to regain direct participation in the trade in the Yangtze area."

The memorandum then comments that while the establishment of a monopoly in China, such as was established in Manchuria in April 1936,¹³ may not be contemplated at the time, the exchange and shipping regulations now enforced in China seem to indicate that a quota system will be imposed which will greatly reduce direct participation by the American company in the petroleum trade to the advantage of Japanese importers who are still able to purchase in a free market.

The Japanese consular officer with whom the matter was discussed by a member of my staff maintains that restrictions on shipments to the interior apply equally to Japanese and other foreign merchants. He denied that Japanese oil merchants are enjoying special shipping privileges and asserted that the only possible exceptions now being made in favor of Japanese oil firms are in cases of petroleum products ordered to meet the requirements of the Japanese armed forces. He counselled patience and argued that Japanese regulations of traffic with the interior is designed to prevent supplies falling into the hands of Chinese guerrillas, intimating that the present disinclination of the Japanese authorities to permit shipments reflected unsettled conditions in the interior and considerable guerrilla activity.

Private advices from various American firms and all available in-

¹³ For correspondence regarding the establishment of oil monopolies in Japan and Manchuria, see *Foreign Relations*, 1936, vol. iv, pp. 786 ff.

formation on the subject indicate that Japanese firms are regularly forwarding large shipments of petroleum products and other commodities to points in the interior.

Local representations on the subject to the Japanese authorities have not led to any amelioration of the situation and I perceive little reason to hope that the position of the affected American firms will improve in the near future.

Sent to the Department, repeated to Chungking, Peiping, Nanking, by air mail to Tokyo.

BUTRICK

811.503193 Manchuria/21 : Telegram

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

PEIPING, September 9, 1940—2 p. m.

[Received 2:30 p. m.]

313. Following from Mukden :¹⁴

"13, September 2, 1 p. m. Upon learning that Ambassador Steinhardt¹⁵ was on his way through Manchuria and was to be my overnight guest, President Aikawa of the Manchurian Heavy Industries Company at the instance of Foreign Minister Matsuoka insisntently demanded that I arrange a meeting with him. This I effected by inviting Aikawa to a dinner which I gave for the Ambassador. During a private conversation with the Ambassador before dinner Aikawa expressed his disappointment at the failure of American capital to interest itself in the development of Manchuria to which the Ambassador replied that he was not competent to discuss matters outside of his own jurisdiction but that speaking as an individual American he felt that the treatment given and now being accorded American capital in Manchuria and occupied China precluded the possibility of further investment under present conditions.

I gained the definite impression that Aikawa was gravely concerned over the immediate future of Manchukuoan economy and that he hoped for some encouragement from the Ambassador as well as his aid in enlisting American capital for Manchukuo. According to Aikawa's American adviser who was also present, the Ambassador's plain words while causing Aikawa disappointment deeply impressed him with their sincerity and evident truth. The atmosphere was extremely cordial throughout and I think that the talk did a lot of good. The reception given Mr. Steinhardt here was worthy of visiting royalty. The President of the South Manchurian Railway Company besides entertaining him supplied an aide to facilitate his travel all the way to Manchuli. This reception along with the other developments mentioned in my despatch 474 of August 16¹⁶ confirms my belief

¹⁴ William R. Langdon, Consul at Mukden.

¹⁵ Laurence A. Steinhardt, Ambassador in the Soviet Union.

¹⁶ Not found in Department files.

that our position here is vastly improved and as pointed out in my letter of July 31 to Mr. Grew of which I sent you a copy^{16a} that the chief concern of Japanese diplomacy now as reflected here is relations with the United States.

Please repeat to Tokyo and Moscow."

Mukden's despatch to the Embassy 474 of August 16 states *inter alia* that the recent events in relations between the United States and Japan such as our successive restrictions on exports of certain items badly needed by Japan, our mystifying fleet moves in the Pacific, our enormous naval appropriations, our bold assertion of extraterritorial jurisdiction in Manchuria and the narrowing down to the United States of powers standing firm on their rights in China might well lead one to expect that the United States would be the principal object of nationalistic and editorial attack and that the personal safety of American travelers and residents may be endangered.

Mr. Langdon states, however, that the very opposite seems to be the case. He says that American news is published fully without editorial comment and that as a rule the tone of the press is restrained and respectful towards the United States.

He says that nothing is permitted to be done or written publicly that might arouse anti-American feeling. He states that no incidents or discourtesies have been reported by American travelers and that local American residents have had no reason for complaint against the authorities for several months. In August American residents were allotted more coal than other foreigners including Japanese. He says that the relations of the Consulate General with the local authorities and those at Hsinking continue harmonious and that recent representations to them have met with some success. He expresses the opinion that recent experiences and treatment of Americans in Mukden have been unusual and indicate that if a "fifth column" movement or scare against foreigners is being worked up it will probably not be aimed against or affect Americans.

Sent to the Department, repeated to Chungking, Tokyo, Moscow.

SMYTH

393.115 Standard Vacuum Oil Co./281 : Telegram

The Consul at Nanking (Paxton) to the Secretary of State

NANKING, September 10, 1940—10 a. m.

[Received September 10—3 : 15 a. m.]

90. Reference Shanghai's 868, September 4, 3 p. m., concerning Japanese interference with American shipments from Shanghai to the hinterland.

^{16a} Not found in Department files.

The local manager of the Standard Oil Company states that the Japanese Oil Association in Shanghai appears seriously to underestimate the demand of the local market (in his opinion, it may be necessary in order to limit imports by non-Japanese firms). He estimates that over 80,000 gallons of gasoline alone can be absorbed in this market for civilian use exclusive of the requirements of the Japanese army. The Asiatic Petroleum Company in Nanking has received no permits to import any stocks whatever under the regulations enforced in August, possibly in part owing to anti-British feeling, and is now completely out of gasoline. The Texas Company is running short of stocks and the Standard Vacuum Oil Company has supplies for normal use for only one and a half months. The latter is attempting to restrict sales to old customers in normal amounts only, but this is proving very difficult.

In August the Standard Oil Company has been able to obtain permits, in the name of its Japanese agents, to bring from Shanghai only 12 carloads (4 each of gasoline and kerosene and 2 each of candle and diesel oil) which constitute less than half its normal imports.

The Japanese have tightened inspection requirements at all city gates to the point where movements of goods to areas outside Nanking are virtually impossible without Japanese consent. The informant remarked that it seemed to him that if any oil stocks reached the guerrillas they were of Japanese origin, either seized from the Chinese purchasers or, according to persistent rumors, in some instances purchased by arrangement with the knowledge of the Japanese merchants.

Sent to the Department. Repeated to Chungking, Peiping and Shanghai. By mail to Tokyo.

PAXTON

611.939/334 : Telegram

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

WASHINGTON, September 10, 1940—7 p. m.

345. Reference Shanghai's 825, August 23, 1 p. m.¹⁷ The Department desires that unless you perceive objection you call at the Japanese Foreign Office and, recalling your previous representations on this subject and reviewing the facts as set forth in the telegram under reference, make renewed and emphatic representations against the continued flagrant efforts of Japanese interests in Shanghai, with the

¹⁷ Not printed; it gave further details of Japanese interference with American trade in eggs. In telegram No. 895, September 10, 3 p. m., the Consul at Shanghai reported no permits for egg trade had been granted since August 24 and the belief of an American company that new regulations would place control of egg trade completely in Japanese hands (611.939/340).

assistance of the local military authorities, to drive the American firms out of the egg trade in central China.

Sent to Tokyo via Shanghai. Repeated to Peiping and Chungking.
HULL

611.939/343 : Telegram

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

TOKYO, September 21, 1940—2 p. m.

[Received September 21—1 p. m.]

873. Reference Department's 345, September 10, 7 p. m., egg trade restrictions. I personally presented today to the Minister for Foreign Affairs a first person note of eight typewritten pages and emphasized the outstanding features of the case, urging the Minister to give the matter his direct attention with a view to removing these flagrant discriminations against an important American interest.

Sent to Department via Shanghai. Repeated to Chungking, Peiping.

GREW

793.94112/394 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 30, 1940—5 p. m.

[Received October 1—5:10 a. m.]

1006. Relative to my 751, August 4 [7], reporting second seizure [of] consular registered motor vessel *Estelle L*, this vessel was seized for the third time by the Japanese Navy on August 26 in the neighborhood of Wenchow and released at the Japanese controlled port of Likong on September 13 following repeated representations by this office.

Reference is made to Department's 580, October 12, 5 p. m., 1938,¹⁸ relative to right to registration of Dollar Company's tender *Dollar*. The *Estelle L* has been chartered to a Chinese organization for approximately 1 year. It is under the command of a Russian captain who the owner, Lang, alleges was engaged and is personally paid by him. The Chinese crew is paid by the charterer.

My telegram 751 of August 7 inadvertently gave Cabotage Trading Company as owners.

Complete reports being mailed.¹⁸

BUTRICK

¹⁸ Not printed.

611.939/368a : Telegram

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

WASHINGTON, October 7, 1940—6 p. m.

382. Reference Shanghai's 923, September 14, 5 p. m.¹⁹ The Department desires that unless you perceive objection you call at the Japanese Foreign Office and make approach along lines as follows:

The Government of the United States refers to the repeated representations which it has made to the Japanese Government during the past 3 years in regard to interference with American trade and enterprise in China by the Japanese authorities there and by local regimes under their control. Those representations, in which the Government of the United States has patiently and persistently called attention to infringements of American rights and interests, have for the most part met with an unsatisfactory response on the part of the Japanese Government. American trade with north China is at a virtual standstill as a result of the network of trade and exchange controls which have been established there over a period of 3 years, culminating in the establishing of complete discriminatory exchange control on June 28.

During recent weeks there have been plentiful indications that trade at the important port of Shanghai is to be dealt with similarly by the Japanese military authorities. American firms have been virtually excluded from the silk trade and arbitrary restrictions upon American trade in petroleum and egg products have been applied with ever increasing vigor by the Japanese military authorities while Japanese firms have been given corresponding advantages. The Government of the United States is now informed that the Japanese military authorities at Shanghai propose to supplement these restrictions in the near future with extensive trade and exchange control measures affecting approximately one-third of Shanghai's export trade to non-yen bloc countries, measures which include the provision that exchange accruing from exports of certain commodities shall be sold to Japanese banks, thereby injuring with one blow American export and import trade and American banking interests. Having virtually eliminated American enterprise from Manchuria and having reduced American trade and enterprise in north China to small proportions, it is now the apparent intention of the Japanese military authorities to drive American trade and enterprise from Shanghai, the most important trading center in China.

The Government of the United States has taken due note of the recent actual and proposed additions to the extensive list of unwarranted interference by Japanese authorities and agencies in China with American trade and enterprise.

Sent to Tokyo via Peiping. Repeated to Shanghai and Chungking.

HULL

¹⁹ Not printed.

611.939/369 : Telegram

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

Tokyo, October 11, 1940—7 p. m.

[Received October 13—7 a. m.]

975. Department's 382, October 7, 6 p. m. For tactical reasons I think it is preferable to avoid seeking further interviews with either the Foreign Minister or Vice Minister so far as is feasible just now. The Japanese are clearly worried by the effect in the United States of recent Japanese acts and utterances and I do not think that anything is to be gained at this juncture by further long political discussions for which occasion would be offered if I were to ask for appointments with either Mr. Matsuoka or Mr. Ohashi. Having assured the Japanese Government of the peaceful and nonprovocative attitude and intentions of the United States whose future course will be guided by the future actions of Japan, I am not anxious to continue the futile political debates which inevitably develop at my meetings with the higher officials.

I have therefore embodied the substance of the Department's instruction under reference in a first person note which Crocker²⁰ today delivered to the chief of the American Bureau of the Foreign Office and have sent a copy of the note to the Foreign Minister accompanied by the following is [*letter?*] annexed in order to make sure that he sees our note personally: (text follows in our 967 [976], October 11, 8 p. m.²¹).

Sent to the Department, repeated to Peiping, please repeat to Shanghai and Chungking.

GREW

611.939/383a : Telegram

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

WASHINGTON, October 21, 1940—5 p. m.

410. Reference Tientsin's 175, October 2, 6 p. m.; 178, October 7, 6 p. m.; 184, October 14, noon; 187, October 16, 2 p. m.;²² and other telegrams in regard to Japanese interference with the fur trade. The Department desires that you approach the Japanese Foreign Office in such manner as you may consider appropriate along lines as follows:

The Government of the United States has taken note that the Japanese military authorities in North China have since October 1 applied

²⁰ Edward S. Crocker, 2d, First Secretary of Embassy.

²¹ For the Ambassador's letter and note, see *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 883.

²² None printed.

certain so-called "regulations governing the control of inspections and shipments of raw materials for light industries in North China." According to the press, the regulations are applicable to cotton, hemp, jute and other vegetable fibers, animal hair, leather and furs. The regulations as published in the press specify that any movement, either locally or for exportation, of these materials shall be subject to permits issued by the Shimizu Unit of the Japanese Army; the Shimizu Unit is privileged to purchase at prices which it shall prescribe any of the aforementioned materials found upon inspection to be "suitable for use"; the materials in question must, except in special circumstances, enter Tientsin only through the East station; and the Shimizu Unit may demand the right to inspect any of the aforementioned materials which may be stored at any place in North China, irrespective of the nationality of the owner. According to an officer of the Japanese Consulate General in Tientsin, the regulations apply to stocks now in exporters' warehouses awaiting shipment, goods bought in interior markets which have not yet reached Tientsin, and goods on which exporters have made commitments to overseas buyers, whether or not bought prior to October 1.

The American firms which have thus far been principally damaged by the regulations which are being enforced by the Japanese military authorities are American firms engaged in the fur export trade. To these firms the new regulations have meant a virtual embargo on all fur exports from North China. The local military authorities have refused to inspect merchandise ready for export to the United States and attempts to obtain clarification of the new regulations have met with no success. The American Consul at Tsinanfu has reported that the local Japanese military authorities are offering for "rejected" skins prices far below the market value. Other information reaching the Government of the United States indicates that "inspection" will be refused at Tsinan unless merchants accept the arbitrary low price offered by the Japanese military authorities for skins already "rejected".

The American Consulate General in Tientsin made representations on October 2 and October 5 to the Japanese Consulate General there against the refusal of the Shimizu Unit to permit the exportation of certain furs packed for shipment before October 1, but the reply which the Consulate General received was evasive and unsatisfactory.

American firms both in China and the United States are greatly exercised in regard to the afore-described actions of the Japanese military authorities in North China. They are especially concerned in regard to their inability to obtain any modification of the new restrictions, which were imposed suddenly and without notice, which would permit them to export goods on hand and goods for which exporters have outstanding commitments. Failing an early modification of the attitude of the military authorities in North China, American firms, both in the United States and in North China, are destined (1) to suffer large financial losses on account of stocks held for exportation under already existing contracts and on account of large additional unfilled contracts and (2) to be eliminated from a trade in which they have participated for a long period. The Government of the United

States registers a protest against this addition to the long list of violations of American rights and interests in China. It is especially urged that consideration be given to the immediate exemption from the new regulations of furs and skins now covered by purchase contracts.²³

Sent to Tientsin. Repeated to Peiping, Chungking, Shanghai.

HULL

893.516/693 : Telegram

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

TOKYO, October 22, 1940—5 p. m.

[Received 9:06 p. m.]

1027. My British colleague in a letter marked "immediate" informs me that the British Consul in Nanking has reported that the Finance Minister of the "Reformed Government" stated on October 1 that the new Chinese regime has decided to establish a new central bank and that the preparations therefor have been completed. Operations, it was said, are to begin in November. Craigie reports that, according to usually well-informed sources, the Japanese authorities have opposed the establishment of a new central bank whereas the project has been fostered by the Wang Ching Wei authorities. This information is similar to that contained in Nanking's despatch to the Department No. 101, July 20, 1940.²⁴ The British Ambassador proposes to make renewed representations, in the nature of an informal letter, to the Minister for Foreign Affairs and suggests that I may also wish to make informal representations.

Unless the Department does not approve of further representations on this subject or desires that representations be made in a form other than an informal letter, I propose, in view of the importance of this question, to write again to the Minister for Foreign Affairs and with reference to my letter of May 27, 1940²⁵ (Embassy's despatch 4729, May 28, 1940²⁴) to the then Minister of Foreign Affairs, to point out that an official of the Chinese Government at Nanking has reportedly stated that a central bank of issue is to be established and to begin functioning next month. I would emphasize the importance of causing the authorities in China to refrain from proceeding with plans for the establishment of a bank of issue.

I concur in my British colleague's opinion that speedy action is desirable and would therefore appreciate receiving the Department's

²³ For the Ambassador's representations on October 24 and 25, and on November 10, see *Foreign Relations, Japan, 1931-1941*, vol. 1, pp. 889-892.

²⁴ Not printed.

²⁵ See telegram No. 382, May 27, 9 p. m., from the Ambassador in Japan, p. 523.

instructions as soon as possible. Shanghai and Nanking are requested to telegraph any available information on this subject.

Sent to the Department via Shanghai. Shanghai please repeat to Peiping, Nanking.

GREW

893.516/693 : Telegram

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

WASHINGTON, October 24, 1940—2 p. m.

418. Reference your 1027, October 22, 5 p. m. The Department concurs in your suggested course of action. It is assumed, of course, that in your communication to the Minister for Foreign Affairs you will not use the term "Chinese Government at Nanking".²⁷

Sent to Tokyo via Shanghai. Repeated to Peiping, Nanking.

HULL

893.516/697 : Telegram

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

NANKING, October 25, 1940—2 p. m.

[Received 5:45 p. m.]

111. Nanking's 110, October 23, 2 p. m.,²⁸ establishment of the new central bank.

Yesterday evening in informal conversation with Hsu Liang, Vice Minister for Foreign Affairs, and Chen Chih Shih, Vice Minister of Finance, the latter stated that preparations had in fact progressed to the point where it was hoped to establish the bank some time in November, but definitely not before the 20th. He remarked that the opening had already been delayed more than 2 months after the time originally planned.

He said that the capital was to be 200,000,000 dollars Chinese national currency, of which more than half was in hand, with certain Japanese assistance, in foreign exchange (American and British). There was also a vague reference to "commodities" as additional backing but no details were forthcoming on this point. It was stated that the value of the proposed new currency would approximate that of *fapi* with the implication that probably an attempt would be made to keep it a little higher.

²⁷ In telegram No. 1058, October 26, 7 p. m., the Ambassador in Japan reported that representations were made to the Japanese Foreign Minister on that date (893.516/698).

²⁸ Not printed.

He was informed that it was believed that the American Government would not welcome the issuance of another currency in China at this time. I emphasized that I was speaking informally and not under instruction, but both men were most cordial, agreed to do what they could to this end, as they declared that American good will was of the utmost importance. However, they were interested to learn specific reasons for the American Government's opposition which they said would strengthen their hands in attempting to prevent or postpone action and would be used [as?] their own in discussions with other officials.

If the Department desires these informal negotiations to be continued here, supplementing those at Tokyo, it would be helpful to have any considerations that might appeal to the local Chinese authorities, which the Department may wish to give this office.

Sent to the Department. Repeated to Peiping and Shanghai. Shanghai please repeat to Tokyo.

PAXTON

893.516/697 : Telegram

The Secretary of State to the Second Secretary of Embassy in China (Paxton), at Nanking

WASHINGTON, October 31, 1940—7 p. m.

13. Reference your 111, October 25, 2 p. m. The Department's principal considerations in the premises are as follows: (1) Only the National Government of China can legally authorize the issuance of currency in China, (2) a new currency, if it is to be successful, must either be freely convertible and backed by large reserves of specie and foreign exchange or it must be supported by trade and exchange controls. It is highly doubtful that the local regime possesses sufficient reserves of specie and foreign exchange to maintain a freely convertible currency or that it intends to maintain such a currency. On the other hand, it is quite likely that the new currency will be backed principally if not wholly, as in north China and Manchuria, by inconvertible Japanese yen and that the value of the currency, if issued, will be maintained by trade and exchange controls which will inevitably place Japanese trade and enterprise in a preferred position.

The foregoing considerations are not likely to appeal to officials of the Nanking regime and it is therefore doubtful that efforts to dissuade the local officials from establishing a new bank would serve a useful purpose. The Department desires, however, that you continue to keep yourself informed of developments and report them promptly to the Department.

Sent to Nanking. Repeated to Shanghai, Peiping. Shanghai please send code text to Tokyo by air mail.

HULL

793.94112/403 : Telegram

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

SHANGHAI, November 11, 1940.

[Received November 11—11:20 a. m.]

1233. My 1215, November 7, 4 p. m.²⁹

1. Lang reported on November 4th that radio from his motor vessel *Estelle L* dated November 2, 8 a. m. stated her papers undergoing inspection by Japanese destroyer and as her daily radio message not received since November 2 he suspected she had been seized by Japanese.

2. Inquiry made November 5 [at] Japanese Consulate General elicited information that navy had not received complete report and hesitated to make statement. Japanese Consulate General now states navy admit seizing *Estelle L* because she had cargo aboard from Wenchow proclaimed blockaded by Japanese.

3. Japanese Consulate General orally reported it was his [its?] opinion that navy would not release *Estelle L* until Lang agreed to cease trading in zones proclaimed blockaded by Japanese.

4. Oral and written representations have been made to the Japanese authorities regarding detention of *Estelle L*.

5. Shanghai's 1205, November 6, 6 p. m. and 1215, November 7, 4 p. m.³⁰ have been repeated to Chungking and Peiping. Sent to the Department, repeated to Chungking and Peiping.

LOCKHART

711.94/1829 : Telegram

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

TOKYO, November 11, 1940—9 p. m.

[Received November 12—2:55 a. m.]

1130. 1. A considerable part of my 2-hour talk with the Foreign Minister yesterday was taken up with my presentation of a number of miscellaneous cases the more important of which are reported in separate telegrams.

2. The Minister said that he had invited me to come to his private residence for a cup of tea without any specific purpose but merely so that we might keep in touch through informal talks and to tell me

²⁹ Not printed.

³⁰ Neither printed.

of his constant efforts to obviate our grounds of complaint arising from Japanese interference with our rights and interest in China (reference my 1125, November 11, noon ³¹).

3. Mr. Matsuoka first asked me to convey to the President in one of my telegrams his hearty personal congratulations on the President's reelection. The Department may wish to instruct me to make suitable informal acknowledgment on behalf of the President when occasion offers.

4. The Minister said that Admiral Nomura had twice refused the Embassy in Washington because he did not wish to be placed in the position of giving assurances to the American Government when those assurances might later be invalidated through the fall of the Cabinet and the appointment of a new Foreign Minister who might not support Mr. Matsuoka's views. The Minister said that his determination to persuade Admiral Nomura to accept the post and his final success in overcoming the Admiral's reluctance was eloquent testimony of his own attitude toward the United States.

5. The Minister said that while it was almost impossible for him to read all the correspondence between the Embassy and the Foreign Office in spite of his days of work which sometimes extended to more than 20 hours, nevertheless he had told his highest subordinate officials that he would not stand for bureaucratic replies to our representations and that he desired to be placed in possession of the complete facts in every case so that he could give me, if only orally, a true picture of the Japanese position. This he proposed to do. He said that he recognized the absurdity, for instance, of unloading on the new regime in China responsibility for various developments as if the Japanese Government was not concerned. He wished to correct such an attitude on the part of the Foreign Office.

6. In connection with future developments I said to the Minister that the United States would be impressed less by official statements than by acts and facts.

Sent to the Department via Shanghai.

GREW

893.61331/232 : Telegram

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

TOKYO, November 13, 1940—10 a. m.
[Received November 14—8:55 a. m.]

1143. Peiping's 430, November 6, 4 p. m., to Department.³² In view of the Foreign Minister's expressed desire and intention to obviate

³¹ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 702.

³² Not printed.

as far as practicable interference on the part of Japanese authorities with American rights and interests in China,³³ does the Department wish me to bring to Mr. Matsuoka's attention either in my next interview or by letter the situation with regard to the China tobacco crop set forth in telegram under reference.

Sent to the Department via Peiping.

Sent to the Department. Repeated to Chungking, Shanghai, Tientsin, Tsingtao.

GREW

893.61331/234: Telegram

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

PEIPING, November 14, 1940—3 p. m.
[Received November 15—12:50 a. m.]

450. Peiping's 430, November 6, 4 p. m.,³⁴ Japanese restrictions on purchase of Shantung leaf tobacco.

The informant³⁵ mentioned in the telegram under reference has [handed?] this Embassy a copy of a memorandum dated November 13 which he addressed to the British Embassy here. In this memorandum he recites the information contained in the telegram under reference and then gives certain information in regard to Japanese economic policy, a summary of which is given below as of interest to the Department.

This matter is brought to the attention of the British Embassy as an outstanding example of the treatment accorded British firms in North China. In our negotiations with the Japanese we have emphasized the fact that we are important producers of revenue for the North China authorities.

The Japanese military who control matters appear to be completely unmoved by this argument as they are determined to develop a yen bloc economic structure which will exclude all independent foreign interests.

In long talks I have had with Major Kato, Imperial Japanese Army, who controls leaf tobacco matters I was informed very plainly that after this year our company would not be allowed to buy leaf tobacco from the farmers because the Japanese Army was developing a plan for cooperative planting and marketing of tobacco in which there would be no place for our company. Major Kato continued that the tobacco industry would be rigidly controlled from the time leaf was planted through leaf purchase, cigarette manufacture, distribution

³³ See telegram No. 1125, November 11, noon, from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 702.

³⁴ Not printed.

³⁵ W. B. Christian, American citizen, director and North China manager of Yee Tsoong Tobacco Company, a joint Anglo-American concern.

and sale; and that the authorities would determine the amount of business which our company would be allowed to handle as well as the profits if any which our firm would be allowed to enjoy. Major Kato explained that it was a fixed policy of the Japanese Army to control all activities in the Japanese occupied territories of China and that every form of agriculture, manufacturing, transportation, merchandising and finance would come under the strict control of the Japanese Army.

Major Kato said that the Japanese Army intended to base its policy chiefly on the policy now in force in Soviet Russia where the factor of profit has been eliminated. Kato said that although it might be considered inconsistent for the Japanese to base their economic policy on the Soviet model, this was nevertheless the policy of the Konoye Government; he added that the Japanese Army was taking measures to implement this policy as speedily as conditions permitted.

Our firm has reluctantly been forced to accept the Japanese terms and we expect shortly to undertake the restriction allowed us this year.

The comment of this office on the above as well as on Tokyo's 1143, November 13, 10 a. m. via Peiping (which is being repeated to the Department by separate telegram) will be transmitted to the Department tomorrow by telegram.

Sent to the Department. Repeated to Chungking, Shanghai, Tientsin, Tsingtao, Tokyo.

SMYTH

893.61331/235 : Telegram

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

PEIPING, November 15, 1940—3 p. m.

[Received November 17—9 a. m.]

454. Peiping's 450, November 14, 3 p. m. and Tokyo's 1143, November 13, 10 a. m. via Peiping. The information reported in Peiping's telegram under reference is further proof, if such proof is necessary, that the Japanese Army is in paramount control of activities in the Japanese occupied areas of China. An interesting sidelight on [the slight?] respect entertained by the Japanese Army in China for Japanese Foreign Office personnel in China was reported to this Embassy yesterday by Mr. Christian: in a conversation he had recently with Major Kato the latter brought up the subject of a local Japanese Embassy official who as commercial secretary of the Embassy had taken some part in the tobacco negotiations; Major Kato stated that this Japanese official might do very well as a diplomatic secretary in Washington or elsewhere abroad but that he had no knowledge or appreciation of the "realities" here; Major Kato then remarked that he

might find it necessary to have the diplomatic secretary in question removed from China.³⁶

In view of the paramount control exercised by the Japanese Army in the occupied areas of China and the Japanese Army's manifest disregard for representatives in China of the Japanese Foreign Office, the Embassy here does not believe that bringing the matter to Mr. Matsuoka's attention would have any satisfactory effect. Mr. Matsuoka may desire and intend to obviate so far as practicable interference on the part of Japanese authorities with American rights and interests in China but the record of 3 years of generally futile American representations to the Japanese Foreign Office where Japanese military restrictions in China are concerned does not inspire any optimism that Mr. Matsuoka will be any more successful than his predecessors.

The Embassy here remains of the opinion (expressed in Peiping's 251, July 24, 4 p. m.) that representations to the Japanese Government where the Japanese military authorities are concerned will be ineffective and futile unless backed up by a definite intimation that a refusal to remove the present impediments to American trade in the occupied areas will result in the prompt enforcement of counter measures against Japanese trade with the United States.

Sent to the Department. Repeated to Chungking, Shanghai, Tientsin, Tsingtao, Tokyo.

SMYTH

893.61331/242a : Telegram

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

WASHINGTON, November 20, 1940—5 p. m.

488. Your 1143, November 13, 10 a. m., Peiping's 454, November 15, 3 p. m., 450, November 14, 3 p. m., and Tsingtao's 142, November 13, noon,³⁷ Universal Leaf Tobacco Company. The President of the Universal Leaf Tobacco Company of China called at the Department on November 18 and reported that after exhaustive bargaining Japanese officials had informed his company that it would be permitted to buy only one million pounds of tobacco in the Hwang Chi-pu District and that after re-drying his company would only be permitted to sell

³⁶ In telegram No. 468, November 20, midnight, the First Secretary of Embassy reported that this diplomatic secretary had been transferred from Peiping to Shanghai (893.61331/236).

³⁷ Telegram No. 142 not printed.

the tobacco thus bought to the Japanese-sponsored North China Tobacco Company at a price fixed by Japanese authorities.

The Department desires that, as suggested in your telegram under reference, you bring this flagrant case of interference with American business to Mr. Matsuoka's attention, in such manner as you may deem appropriate, as one of the many contributing factors to the exacerbation of Japanese-American relations and ask that action be taken to remove such interference.³⁸

Sent to Tokyo via Peiping. Repeated to Chungking, Tientsin and Tsingtao.

WELLES

793.94112/402 : Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, November 20, 1940—6 p. m.
[Received November 21—10: 55 a. m.]

105. Takashiro, Japanese Consul General, has communicated to senior consul following notification issued by Commander in Chief, South China Squadron of Japanese Navy under date of November 19th.

"In view of the fact that the port of Shuitung in Kwangtung Province and its surrounding waters have become an important supply route of the Chiang Kai Shek régime, the Japanese Navy decided to carry out successive military operations against this area. Consequently vessels of third powers are advised not to enter or leave hereafter the said port and its surrounding waters in order to avoid suffering any unforeseen disaster. Should however any third power vessel, disregarding the above advice, suffer any damages as a result of entering, leaving or navigating the said area of Japanese military operations, the responsibility will not rest with the Japanese Navy but the vessel concerned.["]

As the American position regarding notifications of this kind had been made clear to the Japanese authorities on various occasions I do not propose to reply to the communication unless instructed to do so.

Sent to the Department. Repeated to Chungking, Peiping, Hong Kong. Hong Kong please inform ComSoPat.³⁹

MYERS

³⁸ In telegram No. 1212, November 27, noon, the Ambassador in Japan informed the Department that an oral statement in the sense of the Department's telegram had been left at the Japanese Foreign Office on November 27 (893.61331/244).

³⁹ Commander, South China Patrol, U. S. Asiatic Fleet.

893.61331/229 : Telegram

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

SHANGHAI, November 25, 1940—4 p. m.

[Received November 25—10:25 a. m.]

1299. Reference Shanghai's 427, May 26, 1939, 3 p. m.,⁴¹ concerning refusal of Japanese authorities to permit Universal Leaf Tobacco Company to purchase leaf tobacco in Anhwei. With the commencement of the new tobacco season the above-mentioned company has again endeavored to obtain permission from the Shanghai office of Japanese Asia Affairs Board to proceed to Northern Anhwei to purchase leaf tobacco. Negotiations carried on over a period of several weeks with Major Okada of the Board have been unsuccessful and permission to purchase in Northern Anhwei has been refused, although the Japanese-controlled Central China Leaf Tobacco Company and its agents have been granted permission to purchase in the area mentioned.

The Company also reports that for the past six months it has been endeavoring to ship from Shanghai to Tsingtao 1,000 hogsheads of tobacco sold to a Japanese cigarette company. The company states that it has been unable to obtain permission to ship either from the Federal Reserve Bank in Tsingtao or the Asia Affairs Board, although it knows of no regulations prohibiting the shipment of American tobaccos to Tsingtao.

I am making representations to the Japanese Consul General here concerning these instances of interference with legitimate trade of an American firm but do not anticipate any satisfactory results. The Department may wish to consider bringing these cases to the attention of the Japanese Government through the Embassy at Tokyo.

Sent to the Department. Repeated to Chungking, Peiping. By air mail to Tokyo.

LOCKHART

793.94112/405 : Telegram

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

SHANGHAI, November 27, 1940—5 p. m.

[Received 9 p. m.]

1312. Department's 205, November 20, 4 p. m.⁴¹ Japanese Consul General's reply dated November 21 stated naval authorities are de-

⁴¹ Not printed.

taining *Estelle L.* and asked this office to advise vessel's owner to abide by regulations proclaimed by Japanese Navy on July 15, 1940 (see Shanghai's telegram No. 339 [639], July 15, 3 p. m.) which forbids foreign vessels to enter waters adjacent to the port of Wenchow, Chekiang province. Members of Japanese Consulate General intimate that navy will not release vessel until owner gives assurance that he will abide by these regulations. Further representations have been made to Japanese authorities concerning this vessel which has now been detained for a period of 25 days. For the Department's information, on November 14 Shanghai customs refused, as a result of Japanese punishments [*pressure?*], to issue clauses [*clearances?*] to ships bound for the only remaining open port in Chekiang, thus completely closing the Chekiang coast to foreign vessels.

Relative to Consulate General's request of October 16 asking the Japanese authorities to investigate log book notation that the American flag flown by the *Estelle L.* was lowered by Japanese naval hands (see Shanghai despatch 3521 dated October 16),⁴² a categorical denial has been received from the Japanese that such act ever occurred. Master, who is of Russian nationality and who entered notation in his log, is now detained by Japanese aboard the *Estelle [L.]*.

Sent to the Department. Repeated to Chungking and Peiping. Air mail to Tokyo.

LOCKHART

793.94112/406 : Telegram

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

SHANGHAI, November 28, 1940.

[Received November 29—4:10 a. m.]

1319. Today I received a consular body circular embodying a letter from the Japanese Consul General transmitting the following information.

"I have the honor to inform you that the Japanese South China Seas Fleet will shortly start military operations against Chinese positions in Shuitung District, Kwangtung Province, and that in order that the possibility that third power vessels being involved and receiving any damage while in that district may be avoided it is desired that third power vessels refrain from entering that district.

It is therefore requested that third power authorities will immediately see that due warning be given to their respective shipping interests and that steps be taken so that their vessels do not proceed to the above mentioned district.

⁴² Not printed.

I shall be grateful if you will be good enough to bring the above to the immediate notice of our honorable colleagues."

The senior American naval officer present and American shipping companies in Shanghai have been informed.

Sent to Department. Repeated to Peiping, Chungking, Swatow, Hong Kong, Canton and by air mail to Tokyo.

LOCKHART

893.61331/239 : Telegram

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

TOKYO, November 30, 1940—7 p. m.

[Received December 1—4 : 35 p. m.]

1245. Our 1212, November 27, noon,⁴³ Universal Leaf Tobacco Company. In conversation with the Foreign Minister today, I repeated our representations of November 27 in an effort to impress the Minister with the particularly flagrant character of this case of interference with the legitimate and long established rights of this company. Mr. Matsuoka made notes of my remarks and said that he would pursue the matter.

Sent to the Department via Peiping. Peiping please repeat to Chungking, Tientsin and Tsingtao.

GREW

393.115/1034 : Telegram

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

TOKYO, November 30, 1940—8 p. m.

[Received December 1—4 : 40 p. m.]

1246. In my interview with the Foreign Minister today, he prefaced our conversation by expressing his apologies for his unavailable [*unavoidable?*] delay in replying to previous representations respecting Japanese interference with American rights and interests in China. He said that he had started a full investigation of these cases but had been ill with threatened pneumonia for some time. He, however, expected to make a full report to me during the coming week.⁴⁴ I replied that I would be interested in receiving his report but that concrete results would carry more weight than explanations or assurances for the future.

⁴³ See footnote 38, p. 551.

⁴⁴ For the Ambassador's memorandum of his conversation with the Japanese Minister for Foreign Affairs, December 17, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 895; for oral statements by the Japanese Minister for Foreign Affairs, December 17, see *ibid.*, pp. 895 and 899.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking and Peiping.

GREW

793.94112/405 : Telegram

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

WASHINGTON, December 7, 1940—8 p. m.

526. Reference Shanghai's 1312, November 27, 5 p. m. Please make an approach to the Japanese Foreign Office, in such manner as you may deem appropriate, and request that the Japanese Government issue instructions to the concerned Japanese naval authorities to release without further delay the American-owned motor vessel *Estelle L.*, pointing out that this Government does not recognize any right by Japanese naval authorities to apply in China regulations proclaimed by them to vessels under the American flag.⁴⁵

HULL

393.115/1026 : Telegram

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

WASHINGTON, December 10, 1940—5 p. m.

530. Reference Shanghai's 922, September 14, 4 p. m. and 1301, November 25, 5 p. m.,⁴⁶ interference with re-exportation of American-owned goods from Shanghai to Hong Kong.

Unless you perceive objection the Department desires that, as suitable opportunity occurs, the Embassy make appropriate representations to the Foreign Office in regard to the interference set forth in Shanghai's 1301 either as a separate matter, or in the Embassy's discretion, in connection with related or similar cases.

It is assumed that Shanghai will in the meantime continue its efforts locally to cause cessation of the interference in question.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping.

HULL

393.115 Standard Vacuum Oil Co./302 : Telegram

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

WASHINGTON, December 12, 1940—9 p. m.

539. Reference your despatch No. 4997, September 21, 1940; and Shanghai's despatches Nos. 3424, September 9, 3450, September 19,

⁴⁵ In accordance with instructions, the Ambassador sent a *note verbale* to the Japanese Foreign Ministry, dated December 10.

⁴⁶ Neither printed.

and 3476, September 30,⁴⁷ in regard to Japanese interference with American trade in petroleum products in China.

According to an official of the Standard-Vacuum Oil Company, the situation at Shanghai with respect to the shipment of petroleum products into the hinterland continues to deteriorate. Restrictions upon shipments, far from having been removed, have been tightened and with this situation prevailing Japanese interests are approaching American interests to serve as suppliers to Japanese interests for all classes of petroleum products at Shanghai and Yangtze ports for distribution by Japanese interests in the interior. The Standard-Vacuum Company is at present refusing these offers but clearly Japanese restrictions upon shipments operate as pressure. Officials of the Standard-Vacuum Company are endeavoring through Japanese advisers in Shanghai to discuss the question with officials in Tokyo and to clarify the company's position. It has been suggested that further representations by this Government at the present time might be of considerable assistance. It is suggested therefore that unless you perceive objection, and after consultation with the principal representative in Japan of the Standard-Vacuum Oil Company, you make appropriate additional representations at the Foreign Office in regard to this matter.⁴⁸

Sent to Tokyo via Shanghai. Repeated to Peiping.

HULL

893.61331/237 : Telegram

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

WASHINGTON, December 12, 1940—10 p. m.

540. Your 1212, November 27, noon.⁴⁹ The Universal Leaf Tobacco Company, Richmond, Virginia, has informed the Department under date December 5, that its representatives in China have been unsuccessful in their negotiations with Japanese officials in Shantung and are awaiting the results of official protest; that unless immediate results are obtained, they will be unable to purchase any of this year's crop; and that failure in this respect may force them to close their business in Shantung and will probably mean their final elimination from that field.

⁴⁷ None printed.

⁴⁸ In telegram No. 1368, December 23, 6 p. m., the Ambassador in Japan reported that, in view of delay in discussions at Shanghai and unconfirmed reports that tight shipping restrictions in the Shanghai area might be modified after the beginning of 1941, the company representative had asked the Embassy to take no action regarding further representations for the present (393.115 Standard Vacuum Oil Co./317).

⁴⁹ See footnote 38, p. 551.

As opportunity occurs, and unless you perceive objection, please continue to press the case of the Universal Leaf Tobacco Company with the appropriate Japanese authorities along the lines of the last paragraph of the Department's telegram No. 488, November 20, 5 p. m.

Sent to Tokyo via Peiping. Repeated to Chungking, Shanghai, Tientsin, Tsingtao.

HULL

893.516/713 : Telegram

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

TOKYO, December 13, 1940—6 p. m.

[Received December 14—8:35 a. m.]

1320. Our despatch No. 5089, October 28, 1940,⁵⁰ Central Bank of China. The Foreign Office has today handed to us, as from the Foreign Minister to me, an "oral" statement replying to the representations which I made on October 31 [26] with regard to the establishment of a new Central Bank of China by the Japanese-sponsored Chinese authorities at Nanking. A copy of this statement will go forward in the pouch leaving tomorrow.⁵⁰

The statement opens with the observation that "The establishment of the said bank is being initiated by the National Government at Nanking and that therefore your communication on the subject should have been addressed to the National Government." It goes on to state however that "although strictly speaking I am not in a position to reply to your inquiry, I wish to state our views frankly", et cetera.

Briefly the statement takes the position that the establishment of a central bank is a matter of expedition [*necessity?*] and that the Japanese Government is firmly convinced that the issuance of new bank notes is the only possible measure to be adopted; that it is obvious that the National Government "can in no way tolerate the attempt to stabilize the currency by means of sustaining the *fapi*, which would result in bolstering up the financial capacity and, consequently, the military strength of the Chungking regime.

The statement closes as follows:

"Although the question of the establishment of the Central Bank concerns solely the National Government, the Japanese Government are prepared to render all possible cooperation and assistance towards the successful functioning of the bank . . .⁵¹ by cooperating with this new bank, the third powers will contribute in no small degree to the stability of the currency, and consequently the economic rehabilitation and development of Central China . . .⁵¹

⁵⁰ Not printed.

⁵¹ Omission indicated in the original.

In view of the Foreign Minister's statement to me as reported in paragraph 5 of our 1130, November 11, 9 p. m., to the effect that he recognized the absurdity of unloading on the new régime in China the responsibility for various developments as if the Japanese Government was not concerned, I shall not fail to remind him at an early opportunity of his oral statement of November 10, pointing out that his present statement would appear to support a practice which he had previously deplored.

Sent to the Department via Shanghai.

GREW

893.61331/241 : Telegram

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

Тоkyo, December 17, 1940—6 p. m.
[Received December 18—9: 35 p. m.]

1326. Department's 540, December 12, 10 p. m., the Universal Leaf Tobacco Company. In an interview with the Foreign Minister today I strongly pressed this case both in emphatic oral representation and in a signed note of seven pages which referred to the representations already made on November 27 and November 30 without apparent effect and again requested under instructions that the Japanese Government take immediate action to remove the interference under complaint.⁵² The Minister pencilled the word "urgent" in Japanese on my note and said that he would pursue the matter.

Sent to the Department via Peiping. Peiping please repeat to Chungking, Shanghai, Tientsin, Tsingtao.

GREW

611.939/426 : Telegram

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

Тоkyo, December 17, 1940—7 p. m.
[Received December 17—8: 13 a. m.]

1327. My 2-hour interview with the Foreign Minister today dealt chiefly with specific cases of interference with American rights and interests in China and Indochina reported in separate telegrams.⁵³

GREW

⁵² For the Japanese Foreign Minister's reference to the tobacco company case, see his oral statement of December 17, *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 895, 896.

⁵³ For the Ambassador's memoranda and related documents of December 17, see *ibid.*, pp. 895-899, and *ibid.*, vol. II, p. 299.

393.115/1046 : Telegram

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

TOKYO, December 17, 1940—9 p. m.
[Received December 18—10: 24 a. m.]

1329. Department's 530, December 10, 5 p. m. Interference with reexportation of American owned goods from Shanghai to Hong Kong. In an interview with the Foreign Minister today I made oral representations supported by a signed note protesting against the unwarranted interference by Japanese authorities in Shanghai with these shipments and requesting that such interference be immediately discontinued.

Sent to the Department, repeated to Chungking and Peiping.

GREW

793.94112/409 : Telegram

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

TOKYO, December 17, 1940—11 p. m.
[Received December 18—10: 15 a. m.]

1331. Shanghai's 1394, December 14, 2 p. m.⁵⁴ In an interview with the Foreign Minister today I brought orally to his attention the further facts in connection with controversy of the American owned motor vessel *Estelle L* and stated that no progress had been made toward obtaining the release of this vessel in negotiations with the Japanese authorities in Shanghai. Our request under instructions for the release of the vessel presented in a *note verbale* of December 10 was repeated.⁵⁵

Sent to the Department via Shanghai.

GREW

893.516/715 : Telegram

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

TOKYO, December 18, 1940—1 p. m.
[Received December 18—10: 20 a. m.]

1333. Embassy's 1320, December 13, 6 p. m., Central Bank of China. In an interview with the Foreign Minister today I pointed out to him the discrepancy between the sentence in his "oral statement" of December 13 quoted in substantive paragraph 2 of Embassy telegram under

⁵⁴ Not printed.

⁵⁵ The *Estelle L* was released on January 9, 1941.

reference to the effect that our communication should have been addressed to the Nanking Government and the Minister's attitude as expressed to me on November 10 recognizing the absurdity of "unloading on the new regime in China the responsibility for various developments as if the Japanese Government was not concerned." The Minister replied that the sentence under reference in his "oral statement" of December 13 was necessary for purposes of record but that he had taken special pains to set forth clearly at the same time the interest and concern of the Japanese Government in the Central Bank.

Sent to the Department via Shanghai.

GREW

611.939/429: Telegram

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

TOKYO, December 19, 1940—noon.

[Received December 20—10 p. m.]

1338. Embassy's telegram 1337, December 18, 5 p. m.⁵⁶ and Embassy's despatch No. 5084 dated October 25, 1940.⁵⁷

An "oral" statement dated December 17, 1940 was received yesterday from the Foreign Office in reply to our representations of October 24 relating to the Japanese interference with the fur trade in North China. A copy will go forward by open mail leaving December 23.⁵⁸ The following is a brief résumé:

The statement asserts that the regulations for the "control of shipment of raw materials for light industries in North China" were put into effect primarily for the purpose of assuring supplies of these war materials to the Japanese Army and that the Japanese firms which are doing the buying are acting as purchasing agents for the army. It concludes by stating that an investigation will be made concerning the allegation that the purchase prices are improperly low and that an effort will be made to effect a favorable settlement of the matters complained of, taking into consideration the American interests involved and the needs of the Japanese Army.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking and Peiping.

GREW

⁵⁶ Not printed; it reported the text of the Japanese Foreign Minister's oral statement of December 17, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 895.

⁵⁷ Despatch not printed; for its enclosures, see notes from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, October 24 and 25, *ibid.*, pp. 889 and 891.

⁵⁸ Not printed.

611.939/428 : Telegram

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

TOKYO, December 19, 1940—6 p. m.
 [Received December 20—6:40 a. m.]

1342. Embassy's 873, September 21, 2 p. m., egg trade restrictions. Following is a résumé of an "oral" statement concerning egg trade restrictions received yesterday afternoon from the Foreign Office:

All trade restrictions [are] necessary measures taken in conjunction with Japan's military efforts in China where "war-like operations on a gigantic scale" are going on. The original conditions imposed by the Japanese military have been moderated to some extent indicating that consideration is being given to the commercial interests. It is hoped that a practical solution will be reached through local negotiations now in progress.

A copy of the Minister's oral statement is being forwarded to the Department through the open mail on December 23.⁵⁹

We are informed that the British Embassy has received no reply to its representations.

Sent to the Department via Shanghai.

GREW

393.115/1049 : Telegram

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

TOKYO, December 19, 1940—9 p. m.
 [Received December 21—6:10 a. m.]

1345. Reference Embassy's telegram 1337, December 18, 5 p. m.⁶⁰ It needs but little study of Mr. Matsuoka's oral statement, which purports to be a reply to our various requests for alleviation of the difficulties under which our rights, interests and individuals in occupied China are laboring, to see the spirit by which the Japanese Government is now actuated. I can perceive not one line which reveals a disposition on the part of the Government to alleviate the conditions complained of; the document is, on the contrary, an example of Japan's newly acquired attitude of "toughness" and assertiveness. It is argumentation by denial and counter allegation and is discouraging to say the least.

The time may be approaching when it may be necessary fully to inform the American public through the press in detail of the extent to which American rights and interests are and have been trampled upon by Japanese and to lay before them for their judgment the

⁵⁹ Not printed.

⁶⁰ See footnote 56, p. 560.

intransigent attitude adopted by the Japanese Government toward our restrained and reasonable representations.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking, Peiping.

Sent to the Department, repeated to Chungking and Peiping.

GREW

893.5151/797 : Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

[Extract]

HANKOW, December 20, 1940—10 a. m.

[Received 10 p. m.]

Japanese Consulate General has notified consular offices here of new regulations retroactively effective as from December 1st and governing carrying of cash, drafts or letter of credit by travellers between Hankow and down river points.

Regulations provide that outside of 300 yen in cash which may be carried by each traveller without permit, travellers must obtain permit from Japanese military to cover all cash drafts or letters of credit carried. Latter two items are to be obtained from Japanese banks. Upon arrival at or departure from Hankow or other ports, travellers must submit formal declaration to military as to cash drafts or letters of credit carried. Those who violate the above regulations shall have their money confiscated "or be dealt with in a manner deemed suitable."

Sent to Chungking. Repeated to the Department, Peiping, Shanghai.

SPIKER

893.5151/798 : Telegram

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

CHUNGKING, December 21, 1940—noon.

[Received 2:10 p. m.]

629. With reference to Hankow's December 20, 10 a. m. to Chungking, I am of the opinion that it would be desirable for Spiker to reply to the notice from the Japanese Consul General substantially to the effect that the regulations in question cannot be considered as applicable to American nationals. The Department's instructions are respectfully requested.⁶¹

⁶¹ In telegram No. 217, December 27, 7 p. m., the Department expressed approval of the Ambassador's suggestion (893.5151/798).

Sent to the Department. Repeated to Peiping, Hankow, Shanghai. Shanghai, please airmail code text of this message and Hankow's telegram under reference to Tokyo.

JOHNSON

793.94112/410 : Telegram

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

SHANGHAI, December 24, 1940.

[Received December 24—6:02 p. m.]

1428. Japanese Consul General in letter dated December 23 to Senior Consul forwarded copy of proclamation issued same date by Japanese Commander in Chief of China Seas Fleet extending prohibition of shipping effective December 25 to following as on Kwangtung coast: The area including Deep Bay, Huilingshan Chang and their environs, encompassed by straight lines connecting the western extremity of Taioa Point and the eastern extremity of Nampang Island, and the southwestern extremity of Nampang Island and Songyui Tsui. The area including Shuitung Chiang, Tienpak Chiang and their environs, encompassed by straight lines connecting Sioho Point, Tai-fung Koh and Nakang Shan. The area including Lungmun Kong, Pakhoi Chiang and their environs north of the straight line connecting Kwantao Point and Cape Paklung.

A copy of that proclamation is being transmitted to the Commander, Yangtze Patrol for information Commander in Chief.

Sent to Department. Repeated Peiping, Chungking, Canton, Swatow. Air mail Tokyo.

LOCKHART

893.516/720 : Telegram

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

CHUNGKING, December 24, 1940—10 a. m.

[Received 6:06 p. m.]

633. Nanking's 139, December 20, 4 p. m.⁶² The Vice Minister of Finance informed a member of the staff of the Embassy that no anxiety is felt in official or banking circles here due to the establishment of a new central bank at Nanking. He stated that he is confident that the new bank is not going to be in a position to cause any harm to the national currency. He also added that he is certain that the exchange rate of the Chinese national dollar will not be affected by the issuance of the new notes. According to this official, Chinese

⁶² Not printed.

currency is in a very strong position since the American and British loans were made. The note issue at present has a 70% coverage and, according to the above mentioned party, the entire cost of conducting military operations for the next year can be met by merely increasing the note issue without the coverage falling below 40 to 50%.

JOHNSON

893.516/725a : Telegram

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

WASHINGTON, December 31, 1940—7 p. m.

688. Reference Department's 193, May 2, 7 p. m.⁶³ In view of the reported imminent establishment of the new so-called Central Bank by the Nanking régime and the probable issuance of a new currency by that bank, the Department desires that you make a new approach to the representatives of the National City Bank, the Chase Bank and the American Express Company along the lines suggested in the telegram under reference. In this connection you may refer to the financial assistance which this Government has announced that it is making available to China in the form of an Export-Import Bank credit of \$50,000,000 for general purposes and \$50,000,000 from the Treasury Stabilization Fund for monetary protection and management as between American and Chinese currencies⁶⁴ (see Radio Bulletin No. 284, November 30, 1940). The details of agreements in respect to these funds are being worked out at the present time.

With respect to the last sentence of the telegram under reference, the Department has not had any recent communication from the British Government on this point but it is assumed that the attitude of the British Government and of British banks remains unchanged. The Department understands that the Chinese Government recently approached the British Government to instruct British banks in this regard and that the Chinese Government planned to instruct Chinese banks to refuse to have anything to do with the new bank or to accept the new currency.

The Department would appreciate the receipt as soon as possible by naval radio of a report on the reaction of the American financial institutions concerned to your approach and their probable attitude toward the new bank and its currency. The Department would also like to have your opinion in regard to the attitude which British

⁶³ Not printed; it gave instructions based upon telegram No. 127, April 24, 7 p. m., to the Ambassador in Japan, p. 512.

⁶⁴ See press release, issued by the White House November 30, Department of State *Bulletin*, December 7, 1940, p. 521.

banks, other foreign banks, and Chinese banks in Shanghai may take toward the new bank and its currency. The Department suggests that you confer with your British colleague on this matter.

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

HULL

CONSIDERATION OF SANCTIONS AGAINST JAPANESE POLICIES OF AGGRESSION AND VIOLATION OF TREATY RIGHTS;⁶⁵ ENFORCEMENT OF EXPORT-CONTROL SYSTEM

711.94/1407 : Telegram

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

WASHINGTON, February 3, 1940—noon.

45. The Japanese Ambassador⁶⁶ called January 31 at his request⁶⁷ and, referring to his note of January 6⁶⁸ and our reply of January 27⁶⁹ (Department's 38, January 29, 6 p. m.⁷⁰), made inquiry regarding failure of an American company to carry out the terms of an alleged contract with a Japanese company for the sale of an aviation fuel manufacturing process. I replied that, in the light of the long but unfortunately unsuccessful efforts of the American Government to persuade Japan to pursue a law-abiding course of cooperation with this nation and in the light of the long list of the Japanese Government's violations of treaties and agreements and American interests all over China, it is a matter of surprise that the single minor matter referred to by the Ambassador should have attracted his Government's notice. I said further that with so many countries engaged in fighting in various parts of the world the American Government feels that it should conserve a number of commodities and processes for the national defense in event of attack on this country, and that the aviation fuel process involved in the alleged agreement falls within this conservation plan.

During the Ambassador's call I mentioned the proposed new puppet régime in China⁷¹ and commented to the general effect that it is commonly believed that the new régime is being organized by Japanese military forces and that if set up it would be conducted as the

⁶⁵ Continued from *Foreign Relations*, 1939, vol. III, pp. 475-558; see also *Foreign Relations*, Japan, 1931-1941, vol. II, pp. 204-237.

⁶⁶ Kensuke Horinouchi.

⁶⁷ See memorandum by the Secretary of State, January 31, *Foreign Relations*, Japan, 1931-1941, vol. II, p. 53.

⁶⁸ *Ibid.*, p. 205.

⁶⁹ *Ibid.*, p. 208.

⁷⁰ Not printed.

⁷¹ Wang Ching-wei's régime at Nanking; see pp. 251 ff.

régime in Manchuria has been conducted for and in the interest of Japan and at the expense of other nations.

HULL

894.24/845

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

[WASHINGTON,] February 16, 1940.

During the course of a call made at his request, Mr. Morishima, Counselor of the Japanese Embassy, referred again to the contract between the Universal Oil Products Company and the Japan Gasoline Company which had been mentioned in the Japanese Embassy's note of January 6⁷² and in this Government's reply⁷³ on the subject of moral embargoes. Mr. Morishima had also brought up this matter in his conversation with me on January 30⁷⁴ and the Japanese Ambassador had brought up the matter with the Secretary on January 31.⁷⁵

Mr. Morishima asked that we give special consideration to the question of this particular contract. He said that the Japan Gasoline Company had contracts with three other Japanese companies; that the Japan Gasoline Company found itself, as a result of the policy of this Government in discouraging the sale of technical processes for the production of high-test gasoline, in a very difficult financial situation; and that the Japan Gasoline Company would be satisfied temporarily with partial fulfillment of its contract with the Universal Oil Products Company.

I told Mr. Morishima that I would of course make record of what he had said but that I would ask him to refer to what the Secretary had said to the Japanese Ambassador on January 31. I said that I could offer him no encouragement whatsoever that favorable considerable [*consideration?*] could be given to his request. I said that the American Government had adopted a general policy which was clearly explained in this Government's reply to the Japanese Embassy's note of January 6; and that where someone had requested that an exception be made in a particular case the decision had uniformly been that it was not feasible to endeavor to make exceptions. Mr. Morishima kept pressing the matter and I reiterated that while I would of course make record of what he had said I could offer no encouragement in the matter.

M[AXWELL] M. H[AMILTON]

⁷² *Foreign Relations, Japan, 1931-1941*, vol. II, p. 205.

⁷³ *Ibid.*, p. 208.

⁷⁴ Memorandum of conversation missing from Department files.

⁷⁵ See memorandum by the Secretary of State, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 53.

894.24/833 : Telegram

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

Tokyo, February 17, 1940—2 p. m.

[Received February 17—6 a. m.]

125. 1. Replying to an interpellation in a Subcommittee meeting of the Lower House yesterday in regard to the possibility of an American embargo against Japan, the Foreign Minister ⁷⁶ is reported to have stated in part as follows :

“With respect to the question of an embargo on American exports to Japan, I hear that the Foreign Relations Committee of the Senate has postponed the study of this problem. This is due, in my opinion, to a recent change in the Japanese attitude toward the United States and to developments in the European situation. However, postponement of discussions on this matter by the Foreign Relations Committee is only temporary. Considering the deep roots from which the embargo proposals spring and the large number of supporters, we must bear in mind that future developments are unpredictable. Fortunately, however, there are some farsighted people in the United States, and if the situation finally reaches the stage of actually enforcing embargo measures, the constant advocates of these measures will certainly come to realize the dangers inherent therein, in which case we may safely assume that the materialization of any embargo measures would require a considerable length of time.”

2. In reply to another interpellation on the same occasion as to whether Japan had any obligation to open the Yangtze River to navigation, the Foreign Minister said :

“Inasmuch as the Japanese Government acted upon its own initiative when it notified the American Government of its intention, in the light of the lessening of absolute military requirements, to open the Yangtze River to navigation,” there is no obligation on the part of the Imperial Government to open the river. The foregoing is a strictly legal view. As a practical matter the Japanese military authorities in the Yangtze area are studying the question of when and under what conditions the river will be opened. Although the Imperial Government has no obligation to open the river, inasmuch as we have declared that the preparations for the opening of the river were being made in the light of the lessening of absolute military requirements, I believe that we should carry it out. Barring unforeseen contingencies, I think that the lower reaches of the Yangtze will be opened in the relatively near future.”

Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping.

GREW

⁷⁶ Hachiro Arita.

⁷⁷ See point 2 of Japanese *pro memoria*, quoted in telegram No. 687, December 18, 1939, 10 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 48.

894.51/662

The Australian Legation to the Department of State

AIDE-MÉMOIRE

Before the outbreak of the war, Japanese firms were negotiating for the purchase of Australian wheat on credit. After the outbreak of war the Australian Government acquired all wheat including the crop harvested in December and appointed a wheat board to market it.

Negotiations between Japan and the board led to the submission of the matter to the Commonwealth Government in October. At that time, marketing prospects for Australian wheat were very poor and it seemed that alternative sales on credit were indefinitely stopped with all attendant costs and risks. The Government, therefore, agreed to deal in respect of 200,000 tons of wheat, 18 months credit from the date of the first shipment, purchasers to lift the wheat. The first shipment was made on December 28th, 1939.

Since the conclusion of the above deal, there have been negotiations between Australian flour millers and Japanese firms for the purchase of wheat flour on credit. The Australian Government have not encouraged or authorized those negotiations. The Government have also rejected other proposals for further wheat sales on credit.

WASHINGTON, February 21, 1940.

894.51/622

The Secretary of State to the Consul General at Sydney (Wilson)

WASHINGTON, March 5, 1940.

SIR: There are enclosed for your information copies of certain documents, as listed below,⁷⁸ in regard to the matter of extension by Australia of credits to Japan, north China and Dairen for the purchase of wheat and wheat flour. You will note that reference is made in the tag memorandum of February 1 attached to the third enclosure and in the fourth enclosure to the attitude of the Department in regard to the extension of credits of Japan. That attitude may be summarized as follows:

As a result of the operation of exchange control in Japan and the difficulty of getting funds out of Japan the Department of Commerce on June 6, 1938, advised exporters to have a confirmed, irrevocable letter of credit in their hands before accepting orders for shipments to Japan. Much the same situation in reference to exchange control exists in Manchuria. Moreover, in the light of the fact that Japan's military activities in China have resulted and are continuing to result

⁷⁸ None printed.

in serious injury to American rights and interests, it has been the hope of the American Government that American financial institutions and American sellers of commodities would, on their own initiative and taking into account the credit risk involved, not take any action which would facilitate, either directly or indirectly, Japan's activities. This Government regards the extension of credit to Japan as coming within that category of action and accordingly this Government has endeavored, quietly and informally, to discourage the extension of credit to Japan or for the use of Japan in China. So far as the Department is aware there have been no substantial deviations by American financial institutions and American sellers of commodities from the policy desired by the Department. We believe that the attitude of the British Government in regard to this matter is similar to our own.

The Department desires that you endeavor to follow with care the question of possible further extension of credits to Japan or Japanese-controlled areas in China by the Australian Government or by private citizens in Australia and that, should occasion therefor arise, you bring again, confidentially and orally, to the attention of appropriate Australian authorities the importance which the Department attaches to the matter of non-extension of credits to Japan or for the use of Japan in China.

Very truly yours,

For the Secretary of State:
A. A. BERLE, Jr.

740.00112 European War 1939/1509

The British Embassy to the Department of State

His Majesty's Government is aware that the Germans are making the greatest possible efforts to increase the supply of certain essential materials via the Trans-Siberian Railway; and it is much concerned at the increasing volume of imports through Far Eastern ports to the Union of Soviet Socialist Republics, a great part of which are clearly destined for Germany.

For instance in the last six months the Union of Soviet Socialist Republics has imported through Far Eastern ports at least 70,000 tons of copper and brass, which is equivalent to their normal annual import from all sources and through all ports. Again, in the first five months of the war the Union of Soviet Socialist Republics imported 32,000 tons of rubber as against a normal import for five months of 12,500 tons. Again, from November to March a supply of molybdenum has passed through Far Eastern ports equivalent to eighteen months' normal import for the whole Soviet Union. His Majesty's Government regards it as imperative that this source of supply to Germany should be closed.

It is possible that the negotiations for an Anglo-Russian trade agreement recently suggested by the Soviet Government may bring about a restriction of these imports into Germany; ⁷⁹ this however does not seem to be at all probable. His Majesty's Government understands that there is no possibility of the United States under present circumstances itself restricting the export of copper, oil, etc. to Far Eastern ports. His Majesty's Government therefore has reached the conclusion that the only method whereby it can prevent vital materials reaching Germany is to prepare to ration Japan in those commodities which are in Allied control and thereafter make an arrangement with the Japanese Government whereby it will undertake to prevent goods destined for Germany from being carried on Japanese ships or on Japanese controlled railways or, if carried on other neutral ships, being trans-shipped at ports controlled by the Japanese, in return for the release to Japan of certain products of the British Commonwealth.

WASHINGTON, May 1, 1940.

740.00112 European War 1939/1509

The Department of State to the British Embassy

Reference is made to the British Embassy's memorandum of May 1, 1940, which was handed to Mr. Welles ⁸⁰ by the British Ambassador ⁸¹ on that date, in which it is stated that the British Government "has reached the conclusion that the only method whereby it can prevent vital materials reaching Germany is to prepare to ration Japan in those commodities which are in Allied control and thereafter make an arrangement with the Japanese Government whereby it will undertake to prevent goods destined for Germany from being carried on Japanese ships or on Japanese controlled railways or, if carried on other neutral ships, being trans-shipped at ports controlled by the Japanese, in return for the release to Japan of certain products of the British Commonwealth." Reference is made also to the conversation on this subject which was held on May 4 ⁸² between officers of the British Government (Mr. Ashton-Gwatkin, ⁸³ Mr. Neville Butler ⁸⁴ and Mr. R. Reid-Adam ⁸⁵) and officers of the Depart-

⁷⁹ See vol. I, section V under "Activities of the Soviet Union in Eastern Europe and Soviet Relations With the Belligerent Powers."

⁸⁰ Sumner Welles, Under Secretary of State.

⁸¹ The Marquess of Lothian.

⁸² Memorandum of conversation not printed.

⁸³ Frank Ashton-Gwatkin, Acting Principal Assistant Secretary, British Foreign Office.

⁸⁴ Neville Montagu Butler, Counselor of the British Embassy.

⁸⁵ Commercial Secretary of the British Embassy.

ment of State (Mr. Grady,⁸⁶ Mr. Hornbeck,⁸⁷ Mr. Feis⁸⁸ and Mr. Hamilton).

On the basis of the statements made in the British Embassy's memorandum of May 1 and by the British Government's representatives who attended the meeting on May 4, it is the understanding of the Department of State that the British Government contemplates entering into an arrangement with the Japanese Government designed to prevent goods destined for Germany from being carried on Japanese ships or Japanese-controlled railways or from being transhipped at ports controlled by the Japanese; that the proposed arrangement would be along the lines of arrangements which the British Government has made previously with certain of the Scandinavian countries; that the British Government does not intend to offer Japan any special inducement other than agreeing that Japan might continue to buy from the British Commonwealth certain supplies for its own use; that extension of credit to Japan would not be involved; and that the British Government is not asking the Government of the United States to exercise any control over its trade with Japan other than such control as this Government may be exercising as a result of its own independent desire and as it might similarly exercise in the future.

During the conversation on May 4, officers of the Department referred to the fact that in relations between the United States and Japan the Government of the United States has proceeded with a process of untying its hands and thus freeing itself, should circumstances so require, to place restrictions on trade with Japan; that this Government would therefore naturally view with concern action by any other Government which would serve to tie the hands of that Government vis-à-vis Japan, or to assure the Japanese Government alternative supplies should supplies be cut off from the United States. It was pointed out also that the Government of the United States could not look with equanimity upon the conclusion of any arrangement between Great Britain and Japan which would operate arbitrarily to divert Japan's purchases from the markets of the United States to the markets of the British Commonwealth. In response to these comments Mr. Ashton-Gwatkin indicated realization that these were matters requiring careful consideration. He indicated also that it was his understanding that the proposed arrangement between Great Britain and Japan would provide an assurance of an availability to Japan of the commodities involved in normal amounts only rather than in amounts in excess of normal, and that arrangements of the character

⁸⁶ Henry F. Grady, Assistant Secretary of State.

⁸⁷ Stanley K. Hornbeck, Adviser on Political Relations.

⁸⁸ Herbert Feis, Adviser on International Economic Affairs.

under discussion were usually concluded for a short term. Representatives of the Department expressed the view that the shorter the term of any such arrangement between Great Britain and Japan the less likely would it be that it develop that such an arrangement operate in a manner contrary to some possible American line of action.

The Government of the United States would of course not be in position to express its assent to and would be seriously concerned over any development in relations between Great Britain and Japan which would operate at serious cross-purposes with the policies of this Government in and with regard to the Far East and with possible measures which this Government might subsequently find it advisable to take in the way of increasing restrictions on trade with Japan.

The Government of the United States understands that the contents of the British Embassy's memorandum of May 1 were brought to the attention of this Government as a matter of information. Appreciating the thoughtful spirit which has moved the British Government, the Government of the United States in the same spirit has made record hereinabove of its reactions to the information which the British Government has been so good as to furnish.

WASHINGTON, May 21, 1940.

811.20 Defense (Requisitions)/31

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

[WASHINGTON,] June 1, 1940.

Mr. Morishima, Counselor of the Japanese Embassy, called at noon on Mr. Grady. Mr. Morishima said that the Japanese Embassy had just received word by telephone from New York that Japanese vessels there were not being permitted to load certain types of equipment, including machine tools. Mr. Morishima said that when inquiry was made of the customs authorities they said that they were acting on instructions from Washington. Mr. Morishima inquired under what law the American authorities were declining to permit the loading on Japanese vessels of this equipment. Mr. Morishima said that he was aware of the provisions of a national defense measure now under consideration by Congress but he pointed out that this measure had not yet been enacted into law.

Mr. Grady informed Mr. Hamilton of Mr. Morishima's call. Mr. Hamilton made inquiry of Mr. Yost,⁸⁹ after which Mr. Yost and Mr. Hamilton told Mr. Grady that earlier that morning the Soviet Ambassador⁹⁰ had telephoned in regard to a similar matter affecting the

⁸⁹ Charles W. Yost, Assistant Chief of the Division of Controls.

⁹⁰ Constantine A. Oumansky.

loading of machine tools on a Soviet vessel; that under authorization from Mr. Berle ⁹¹ an officer of the Department had informed the Soviet Ambassador that certain types of equipment, including machine tools, were indispensable from point of view of the national defense program of this country; that export of these particular commodities was not being permitted; and that the action of the authorities of this country was not directed against any particular country but was directed toward conserving for the national defense needs of the United States certain indispensable commodities.

As Mr. Morishima had pressed Mr. Grady to give him a reply in the afternoon, Mr. Grady telephoned Mr. Morishima and made to Mr. Morishima a reply which followed closely the lines of the reply made earlier to the Soviet Ambassador.

811.20 Defense (Requisitions)/21

Memorandum by the Chief of the Division of Controls (Green) to the Secretary of State

[WASHINGTON,] June 4, 1940.

I have looked into the question which you raised in regard to the authority under which the Navy Department is requisitioning and hopes to continue to requisition machine tools and other types of machinery sold for export. I find that this action is being taken without legal authority and that no legal authority for such requisitions is proposed in any of the bills now pending in Congress. What the Navy Department plans to do is to ask this Department to refuse to issue export licenses for the particular items which it wishes to acquire. The exporters, then finding themselves unable to export these items will, it is believed, be entirely willing to sell them to the Navy Department for a price sufficient to enable the exporters to indemnify the original purchasers.

The same procedure would be applicable to the taking over by the Army of the Swedish planes which you mentioned.

JOSEPH C. GREEN

811.20 Defense (Requisitions)/12: Telegram

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

WASHINGTON, June 4, 1940—10 p. m.

179. Your 405, June 4, 1 p. m. [*noon*].⁹² Recently the representatives of several foreign governments, including the Counselor of the

⁹¹ Adolf A. Berle, Jr., Assistant Secretary of State.

⁹² Not printed.

Japanese Embassy, have made informal inquiries at the Department in regard to certain aspects of the defense program of the Government of the United States involving measures being undertaken or under consideration which look to the necessary conservation of natural, industrial, and other resources which are vital in the interests of the national defense.

The Government and people of the United States have been in the forefront of the peoples and governments of the world in striving for the cause of naval and other disarmament, the relinquishment of force as an instrument of national policy, and the general governance of relations among nations by orderly and peaceful processes. This Government has been in the forefront of the governments of the world in negotiating and implementing international agreements for disarmament. That a number of the great nations of the world are now unhappily engaged in extensive hostilities whose magnitude affects, directly or indirectly, practically all the peoples of the world, constitutes a catastrophe of the kind which the Government of the United States has constantly sought to avert. That it is now necessary for this Government to undertake and to accomplish rearmament is not due to any action of the Government or people of the United States, to any desire to move against any country in the world, to any ambition to add to the territories of the United States or to any denunciation by the Government of the United States of any disarmament agreement. It is the actions, the desires, the ambitions of various other nations which have caused the people and the Government of the United States to embark upon the present program of armament for self-defense.

As part of that program there has been placed in one of the emergency defense bills now before the Congress a provision authorizing the President to curtail or prohibit, in the interest of national defense, exports of "military equipment or munitions, or component parts thereof, or machinery, tools, or material necessary for the manufacture or servicing thereof." This bill has passed the House and is expected to pass the Senate in a few days. It is designed to insure an adequate supply in this country of certain machinery and equipment which is absolutely indispensable to the realization of our expanded national defense program.

Pending the enactment of this law, the Navy Department is requisitioning certain tools and supplies ordered by foreign purchasers which that Department considers essential to our defense needs and which were about to leave the country. Outgoing shipments in United States ports are being examined with a view to determining whether or not they contain tools and materials of this character. The officers charged with these duties are making every effort to limit to the abso-

lute minimum interference with normal trade between the United States and all foreign countries. It may be emphasized that these requisitions are being effected only in connection with certain types of tools and materials indispensable to our rearmament program, and that they are not directed against any particular country or countries.

HULL

811.20 Defense (Requisitions)/34

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] June 5, 1940.

Mr. Morito Morishima, Counselor, Japanese Embassy, called at my office this afternoon by appointment. He referred to our conversation of June 3⁹³ in regard to the order stated to have been given by Customs Officers in New York to Japanese companies not to load for exportation, for the present, machine tools, machinery, airplane engines, or electrical equipment. He asked me whether I had as yet obtained any information as to the legal authority for this action.

I told Mr. Morishima that the action had been taken in order to enable this Government to obtain full information in regard to proposed exportation of certain articles in order that it might act expeditiously and efficiently the moment Section 6 of the defense bill now pending in the Senate became law. In my further comments I followed, more or less, the explanation of the matter contained in the Department's No. 179 of June 4 ten p. m., to the Ambassador, Tokyo, emphasizing strongly the determination of this country to take all necessary steps to carry out a tremendous rearmament program and pointing out that the adoption of this program was due to the action of other powers which were engaged in attempts to subjugate their neighbors.

Mr. Morishima made no further reference to the legal question which was the ostensible motive of his call.

JOSEPH C. GREEN

811.20 Defense (Requisitions)/15: Telegram

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

WASHINGTON, June 6, 1940—6 p. m.

183. Your 418, June 6, 11 a. m.⁹⁴ The Department has no objection to your communicating orally to Japanese officials and to the press, as an

⁹³ Memorandum of conversation not printed.

⁹⁴ Not printed.

informal expression of your understanding of this phase of the Government's national defense program, the substance of the Department's 179, June 4, 1 [10] p. m., but it is not desired that the language of that telegram be given textually to the press or published in the press as a quotation.

Some of the statements contained in the telegram in question have been orally communicated in informal language to press correspondents here, but no statement in the matter is being issued by the Department at the present time.

HULL

811.20 (D) Regulations/383

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁹⁵

[WASHINGTON,] June 7, 1940.

In connection with the provision in one of the emergency defense bills now before the Congress authorizing the President to curtail or prohibit, in the interest of national defense, certain commodities, I do not know whether the appropriate authorities of the Government are considering restricting or prohibiting the export of gasoline and petroleum products. If the restriction or prohibition of the exportation of petroleum products is being considered, it is strongly recommended that due account be taken of the effect which any such restriction or prohibition would be likely to have on Japan's course of action vis-à-vis the Dutch East Indies.⁹⁶ I believe that such restriction or prohibition would tend to impel Japan toward moving into the Dutch East Indies and I therefore recommend that, if at all practicable, no restrictions be placed at this time on exportation of petroleum products.

M[AXWELL] M. H[AMILTON]

811.20 Defense (Requisitions)/46

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 7, 1940.

The Ambassador of Japan called at his request and proceeded to refer to the holding up by this Government of certain Japanese purchases of machine tools and machinery. The three points he brought up are as follows: (1) while his Government understands our needs in

⁹⁵ Initialed by the Adviser on Political Relations (Hornbeck).

⁹⁶ See also pp. 1 ff.

connection with rearmament, it does feel that the contracts on which these purchases are based should be carried out; (2) that in any event his Government requests that this Government sort out such of the machine tools and machinery as it desires to appropriate for machine defense purposes, and lift the ban from the shipments to Japan of the remainder; (3) that the Japanese Government is very much concerned to see as nearly normal trade relations kept up between our two countries as may be possible and urges action by this Government that will contribute to the fullest practical extent in this respect. I referred the Ambassador to our reply of some days ago to the Counselor of the Japanese Embassy on this general subject,⁹⁷ especially as it related to the holding up of the shipment above referred to. There was little new to add to the merits of the three points he raised. I emphasized that this policy was not intended for any one government in particular.

C[ORDELL] H[ULL]

811.20 Defense (Requisitions)/35

*Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine)*⁹⁸

[WASHINGTON,] June 8, 1940.

The Japanese Ambassador called at his request. He referred to his conversation with the Secretary on June 7 and said that he desired to have a further talk on this subject in order that he might be in position to clarify the situation to the Japanese Government as he feared that otherwise the Japanese people might be disposed to interpret our recent action in connection with the requisitioning of equipment and supplies as being inspired by a desire to impose pressure upon Japan. He referred to the recent action of the authorities at New York in examining outgoing shipments and he hoped that goods which had been bought and paid for by the Japanese would be allowed to go forward; that American manufacturers would be allowed to carry out delivery of articles which were already under contract and that in view of the general dislocation of international trade following the war he hoped that we could set up and maintain as liberal a policy as possible in regard to trade with Japan.

Mr. Berle stated that the measures which we have taken and further measures which we have in contemplation are not inspired at all by a desire to subject Japan to pressure and are entirely designed to meet

⁹⁷ See memorandum by the Chief of the Division of Controls, June 5, p. 575.

⁹⁸ Initialed by Assistant Secretary of State Berle.

our national defense needs. He said, speaking tentatively, that so far as present plans had developed it was contemplated prohibiting the export of a small list of articles but that so far as he knew this list did not include any items important in our export trade with Japan and that these articles were largely goods upon which we depended upon imports for our supply. Another class of articles would be subjected to a licensing system, probably machine tools would come under this class. The Ambassador inquired whether there were any plans for placing embargoes upon or restricting by license exports of scrap iron and steel. Mr. Berle said that so far as he knew there had been no discussion of any restrictions upon scrap iron and steel. Mr. Berle assured the Ambassador that he would keep the Ambassador's desiderata in mind in connection with the development of further plans in our program for the conservation of resources and materials vital to our national defense.

The Ambassador said that unofficially he would like to call the Department's attention to Section 2 (*d*) of H. R. 9858, introduced by Mr. Dies on May 22, 1940.⁹⁹ This section reads as follows:

"(*d*) That the term for which any visa may be granted to an alien visiting the United States temporarily as a tourist, or temporarily for business or pleasure, shall not be extended more than once, nor shall the term for which the visa was issued and any extension thereof exceed in the aggregate a period of one year."

The Ambassador observed that this bill, if enacted, would affect Japanese merchants now in this country who are engaged in international trade between Japan and the United States.¹ Mr. Berle said that he had not seen this bill previously but would look into the matter.

811.20 Defense (Requisitions)/62

Memorandum by the Adviser on Political Relations (Hornbeck) of a Conversation With the Counselor of the British Embassy (Butler)

[WASHINGTON,] June 13, 1940.

Mr. Butler, having called upon me at his request and having disposed of another matter (see separate memorandum),² said that he had a second matter of which he would make mention. He said that the British Ministry of Economic Warfare had made note of the fact

⁹⁹ See *Congressional Record*, vol. 86, pt. 6, p. 6668.

¹ See note from the Secretary of State to the Japanese Ambassador, January 24, p. 630.

² Not printed.

that the Japanese Embassy here had approached the Department with inquiry on the subject of the withholding by the United States Government of machine tools ordered or intended for export; the Ministry assumed that the Japanese Government would protest; the Ministry suspected that the Soviet Government might have some occasion to make similar approaches; the Ministry assumed that our policy in this matter would be likely to involve some discriminations; the Ministry thought that the Embassy should suggest that the American, the British and the French Governments should "concert" as regards replies which they would make to inquiries addressed to any one of them with regard to this matter; the Embassy felt that there ought not be any such "concerting"; and the Embassy wanted to ascertain most informally what we might be willing to say by way of comment on what Mr. Butler had just said to me.

I replied that it is a matter of public knowledge that the Japanese have approached us on this subject; that I could add that the Soviet Government also has approached us; that legislation giving legal authorization to withhold shipments of machine tools has for some days been under way and has now been passed;³ that the President has indicated what is our general attitude on the subject of supplying from our resources to countries which are "opposing force"; that we are engaged in a great program of national preparedness and it may be expected that we will proceed with all the intelligence and energy of which we are capable toward promoting our national security; that we have said that our policy is one of non-discrimination, but that it stands to reason that, in application, its effects will not be the same for all countries. I said that I felt as did the Embassy that there should not be "concerting" of replies by the American, the British and the French Governments to questions which might be asked them; but that it might be said, in all three cases, that the American Government will make its own decisions, under its own laws, and in the light of both its rights and its obligations, regarding this country's exports. I again referred to public statements which the Department and the President have made and I intimated that in our actions we will favor countries which are "opposing force", but, I said, our program and our procedures will, in my opinion, be based primarily on our estimate of what best serves this country's interests.

STANLEY K. HORNBECK

³ For section 6 of act approved July 2, see 54 Stat. 712; also see proclamation No. 2413 of July 2, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 211.

811.20 Defense (Requisitions)/65

Memorandum of Conversation, by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine) ⁵

[WASHINGTON,] June 15, 1940.

The Japanese Ambassador called at his request. He referred to a despatch in the *New York Times* of June 15 by Felix Belair, Jr., under Washington June 14 dateline, to the effect that administration sources said legislation would be introduced next week to embargo exports of scrap iron as a measure of national defense, and also to Mr. Berle's statement of June 8 to the effect that so far as Mr. Berle knew there had been no discussion in connection with the national defense program of any proposal for restricting exports of scrap iron and steel.

Mr. Berle said that when the news item had been called to his attention he had made inquiries of the Division of Controls and that the Department had no new information on this point, which would alter what he had said last Saturday. He added, however, that he could not assure the Ambassador that this point had not been brought up in discussions other than those at which he and other representatives of the Department were present nor could he assure the Ambassador that the question of embargoes on scrap iron would not arise at some future time in connection with its national defense program. Mr. Berle explained that our national defense program was not a matter of our own choosing but was forced upon us by actions and policies of other countries and we could not tell today how far this program might have to be carried. The Ambassador then asked whether there were any plans for embargoing exports of copper and steel. Mr. Berle replied that so far as he knew there had been no discussion of the question of restricting exports of steel and copper.

Mr. Berle then referred to an approach which the Counselor of the Japanese Embassy had made on June 13 to the Acting Secretary of the Navy ⁶ and suggested that in the future it would be desirable that the customary diplomatic procedure be followed whereby approaches to this Government would be made through officers of the Department of State. Mr. Berle said that the Department, of course, would at all times be glad to arrange interviews with officers of other Departments when the Department itself was not in possession of the information desired and when it was considered that such interviews would be advantageous, and he observed that he understood that a similar procedure prevailed at Tokyo. The Ambassador expressed no dissent but explained that Mr. Morishima was personally acquainted with Assistant Secretary Compton and that the interview in question devel-

⁵ Initialed by the Chief of the Division (Hamilton).

⁶ Lewis Compton.

oped out of an incidental conversation. The Ambassador said that Mr. Morishima had no intention of "negotiating" with any other Department of the Government.

740.00112 European War 1939/1551: Telegram

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

LONDON, June 24, 1940—8 p. m.

[Received June 25—12:33 a. m.]

1812. Department's written instructions Nos. 1407 of May 23 and 1422 of June 3.⁷ The British authorities attach the greatest significance to that part of the legislation now being passed giving the President power to limit or prohibit the exportation of certain American products and in their minds it appears to have two aspects: (1) as a possible means of simplifying and augmenting their blockade and (2) as a factor of the highest importance in connection with the Far East.

As regards (1), they realize that blockade running will increase mainly via the Norwegian coast and the Bay of Biscay, the latter perhaps being even harder to patrol than the former, and that firms in South America at any rate will be found to facilitate this traffic. I have the feeling that they really do not know what they are going to do and probably do not even know how much the navy can do. But they see in our legislation something to grab at. Incidentally A. D. Marris, a war time official of the Ministry of Economic Warfare, has been assigned to the British Embassy at Washington and sails tomorrow.

Secondly and more importantly, as regards the Far East. No doubt you have received a copy of the Japanese demands as regards the Dutch East Indies.⁸ Leith-Ross⁹ stated informally that he had advised the Dutch to make them known to Washington and in any case I gather that Marris is taking them along with him. From what I hear, the Japanese have asked for substantial increased quantities of such products as tin, rubber, et cetera, a particularly large increase in oil and interior development concessions in the matter of wolfram, molybdenum, nickel, et cetera. I have the feeling that the British do not really know what to do in the matter of advising the Dutch

⁷ Neither printed; the latter enclosed documents for the information of the Embassy, including copies of the British Embassy's memorandum of May 1, p. 569, and the Department's reply of May 21, p. 570.

⁸ Cf. telegram No. 439, June 12, noon, from the Ambassador in Japan, p. 24.

⁹ Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government.

until they know what we intend to do. Furthermore Leith-Ross stated today that he had been stalling with the Japanese but I gather that the Japanese here are not really being kept informed and empowered to act by the Tokyo Government. For instance, apparently the Japanese Embassy has asked for 7000 tons of nickel during the current year exclusive of the small amount shipped at the beginning of the year on last year's contracts. Leith-Ross stated that to date he has been telling the Japanese that there would only be 2000 or 3000 tons available after the Allied Governments and the United States obtained their requirements. He was surprised that the Japanese Embassy merely took the line that Japan wanted its share of this remainder. However, Leith-Ross anticipates difficulty when the Japanese realize that the French allotment of 24000 tons will come up for disposal. Incidentally he implied that we could buy this for a reserve.

Leith-Ross also mentioned that they had been scared by the report that we might move our fleet (see next to last paragraph of my 1777, June 21, 11 p. m. ¹⁰) because they believe that would be an immediate signal for the Japanese to take over the Dutch East Indies and he also indicated that the Dutch had decoded a message from the Japanese Consul General at Batavia urging action because a similar opportunity would not recur for a thousand years.

As always there are two schools of thought here about Japan but I do not think that either school intends to be tough in any way and both schools anticipate a request to close the Burma Road. One school believes that the situation can be worried along by concessions and fears drastic action such as an embargo by us on scrap iron or oil as a precipitating factor. The other school believes that the situation will inevitably go from bad to worse, concessions or no concessions, and that if we take drastic action under our legislation war will be precipitated in the Far East and then there will be just one big war.

KENNEDY

894.24/1029

Memorandum by the Chief of the Division of Controls (Green)

[Extract]

[WASHINGTON,] July 6, 1940.

In the administration of the moral embargoes, it has been the uniform practice of the Department not to express objection to any proposed transaction to which the moral embargo, as publicly announced

¹⁰ Not printed; it reported that the British Cabinet agreed that the best interests of all during the existing acute situation were served by the American Fleet keeping well out in the Pacific Ocean. The British Consul at Panama had advised that the American Fleet was coming back through the Canal. (740.00112 European war 1939/4040)

by the President ¹¹ and the Secretary, was not applicable. This practice was adopted after consultation among the officers of the Department concerned. It has been felt that to express objection to proposed transactions to which the moral embargoes were not applicable would necessarily lead to penalizing those companies which, on their own initiative, consulted the Department in regard to such transactions to the advantage of their competitors acting in equally good faith on the basis of the announced policy of the Department. Undoubtedly, this practice has resulted in a failure of the Department to make adverse comments on proposed transactions which, for one reason or another, we might have preferred to see dropped. Nevertheless in fairness to American companies, it has seemed wiser to adhere to it.¹²

JOSEPH C. GREEN

893.154/3014

*Memorandum by the Adviser on Political Relations (Hornbeck)*¹³

[WASHINGTON,] July 13, 1940.

Reference, my memorandum of conversation with the Chinese Ambassador on July 12¹⁴ and my memorandum of July 13 in continuation thereof.¹⁵

The British Government's action in giving a promise to the Japanese Government to restrict traffic over the Burma road "temporarily" and in indicating to the Japanese Government that the British Government will use its influence toward bringing about negotiations for a settlement between Japan and China makes desirable, in fact highly advisable, an immediate review and analysis by this Government of the Far Eastern situation and of possible action, either positive or negative, which should be taken at this stage by this Government.

The situation in the Far East becomes more serious. Further evidence having been given of Great Britain's incapacity to maintain her position, defend her rights, fulfill her obligations to third parties, et cetera, Japanese morale becomes strengthened and Chinese morale becomes more susceptible of being undermined. The British decision

¹¹ See press release issued by the White House on December 2, 1939, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 202.

¹² On July 11 the Adviser on Political Relations (Hornbeck) noted that the embargo situation was becoming increasingly confused; that the embargoes should either be made more extensive or the "moral embargoes" dropped altogether, while placing the strictest construction upon the provisions of the law with respect to certain limited embargoes.

¹³ Noted by the Secretary of State.

¹⁴ *Ante*, p. 47.

¹⁵ Not found in Department files.

may be regarded as a new step in a diplomatic "rear guard" action. It involves, however, a yielding of ground. It diminishes China's capacity to resist and it weakens the common front of the powers that are on the defensive, including the United States.

Question arises what action the United States should take in the presence of this new development.

There are open to the United States several possible courses:

1. Do nothing and say nothing.
2. Say something but take no other action.
3. Say something and take some positive action.
4. Say nothing but take some positive action.
5. In the field of positive action there are several possibilities:
 - (a) Place new prohibitions, under the aegis of the Defense Act, upon exports of sundry items to Japan.
 - (b) Move toward "embargo" legislation.
 - (c) Increase customs duties, under existing legislation, upon sundry imports from Japan.
 - (d) Resort to various possible practices in the administrative field of sundry types of retaliation.

It will be recalled that some months ago when the French gave signs of intention to close the Indochina railway to imports destined for China, the American Government gave to both the French and the Japanese Governments informally certain indications of the displeasure of this Government at that prospect. Question arises whether we should let the present British-Japanese action pass without the giving of some similar indications on our part.

We have already indicated to the British Government that we are not in position to use armed force toward influencing the situation and developments in the Far East and that we are not prepared to participate in an effort to induce (persuade or compel) the Chinese to negotiate, with a prospect of concessions on China's part only, with the Japanese. At the same time, we have said to the British that if they wish to explore the possibilities of there being brought about between the Chinese and the Japanese a settlement we have no objection. (There need be no doubt but that the British will represent to both the Japanese and the Chinese that the American Government has given a blessing to the British idea of trying to bring about a Chinese-Japanese negotiation for a settlement.)

I suggest for consideration as a possible line for immediate action the following:

- (1) Simultaneous communications to the Japanese and the British Governments, on the model of the action which we took when the French gave signs of intention to close the Indochina railway, calling attention to our interest and our rights; and (2) As soon as there appears evidence that American trade is in fact being interfered with

by the closing of the Burma road, some form of retaliation in application to trade between the United States and Japan and perhaps the same for trade between the United States and Great Britain. (In the case of Japan, I would suggest that the form to be considered should be that of placing obstacles in the way of Japanese imports into the United States.)

S[TANLEY] K. H[ORNBECK]

811.20 Defense (Requisitions)/69

Memorandum by Mr. Edgar P. Allen of the Division of Controls

[WASHINGTON,] July 15, 1940.

Mr. Morito Morishima, Counselor of the Japanese Embassy, came in to see me this afternoon by appointment and stated that he had come in merely to express appreciation for the favorable consideration which had resulted in the release for export of approximately fifty percent of the machine tools which had been held up.

Mr. Morishima said that the Embassy will probably take up individually at a later date cases involving the disposition of machine tools purchased under old contracts, the title to which had passed to the Japanese Government or to Japanese interests prior to action by this Government which has resulted in the rejection of applications for export licenses.

EDGAR P. ALLEN

811.20 (D) Regulations/164

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

[WASHINGTON,] July 19, 1940.

I consider that the matters referred to in the two memoranda¹⁶ here attached are of very great and very immediate importance. I feel that, in order to get any action with regard to them, action by the heads of Departments—this Department and the Navy Department and the War Department—will be required. I feel that action will have to be taken on the basis of major policy in connection with the broad problem of national defense: it will not be taken on the basis of administrative decisions under the principle of merely keeping at home commodities urgently required for our national defense and of which there is no excess supply which we could afford to export. I hope and I urge that you will take the appropriate initiative toward ensuring early and adequate consideration of this problem from all angles.

S[TANLEY] K. H[ORNBECK]

¹⁶ See memorandum of July 19, *infra*.

811.20 (D) Regulations/164

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] July 19, 1940.

Reference, my memorandum of July 18¹⁷ on conversation with Messrs. George S. Walden, L. V. Collings and C. A. Thompson of Standard-Vacuum Oil Company.

I consider very significant the information given us to the effect that the Japanese are making widespread approaches for purchases of large quantities of aviation gasoline to be delivered in or before the end of August. This information should be associated with the information given by Mr. James A. Moffett, of the California Texas Oil Company, to Mr. Hamilton on July 17 (see Mr. Hamilton's memorandum of conversation¹⁷).

I spoke to Mr. Dunn¹⁸ about this matter yesterday afternoon and he informed me of orders which are being placed for aviation gasoline by Portugal and Spain.

I spoke to Admiral Stark¹⁹ about the matter late yesterday afternoon and Admiral Stark felt that all of these developments are of importance and raise questions which should be given very serious consideration.

I feel strongly that action should be taken, and be taken promptly, toward keeping within reasonable limits or entirely cutting off exports of aviation gasoline to Japan and to other countries, especially those countries through which delivery may be made to Germany or to Italy. In the case of Japan, the extraordinary buying of which Mr. Walden and Mr. Moffett gave report suggests the existence of a plan on Japan's part for extensive new military or naval operations in the near future. If Japan gets possession of huge new supplies of aviation gasoline and tetraethyl lead, her embarkation upon and carrying out of new acts of aggression will be greatly facilitated. If action is taken on our part which results in failure on Japan's part to receive these new supplies, such action and the resultant failure might retard or prevent such new adventuring and would certainly make it, if embarked upon, more difficult.

There are, of course, other sources from which Japan might purchase these supplies: British companies. The British manufacture aviation gasoline themselves and they have a contract for the purchasing of the total output of a plant which belongs to the Standard-Vacuum Oil Company and which has just gone into production—30,000 barrels per month—in the Netherland East Indies. It must be

¹⁷ Not printed.

¹⁸ James Clement Dunn, Adviser on Political Relations.

¹⁹ Adm. Harold R. Stark, Chief of Naval Operations.

assumed that the Japanese could, if they wished, seize this plant in the Netherland East Indies. It need not, however, be assumed that the British would sell to the Japanese if sales were prohibited by the United States. If our prohibition were made general, the British would no longer be able to depend on us for supplies of this commodity and they would have to conserve for their own use their own supplies. The output of the Standard-Vacuum Oil Company plant in the Netherland East Indies would be no substitute for the amount which the Japanese need and which they are trying to get from this country.

Mr. Dunn advanced yesterday a tentative thought as to possible procedure: that this Government might put on a general prohibition under provisions of the Defense Act,²⁰ perhaps using a formula that we will prohibit exports temporarily for the purpose of and pending the making of a survey to determine what supplies are available in this country and what amounts are needed for our own use in connection with our own defense program.

I suggest and urge immediate consideration be given to that suggestion and to any other potentialities toward dealing appropriately with the problem presented.

811.20 (D) Regulations/156

*Memorandum by the Assistant Chief of the Division of Far Eastern Affairs (Ballantine)*²¹

[WASHINGTON,] July 22, 1940.

Participants: Mr. Morito Morishima, Counselor of the Japanese Embassy
 Mr. Grady
 Mr. Ballantine

Mr. Morishima referred to press items (he mentioned the *Washington Times-Herald* and the *New York Herald-Tribune*) to the effect that it is now planned to include scrap iron and scrap steel in the list of commodities to be subject to license under the National Defense Act. He alluded in this connection to a statement made (on June 8) by Mr. Berle to the Japanese Ambassador to the effect that so far as Mr. Berle was aware the imposition of restrictions on export of scrap iron and scrap steel was not for the present being considered. Mr. Morishima asked whether there was any change in the situation. Mr. Grady stated that he did not know what the basis was for the statements in the press regarding scrap iron and scrap

²⁰ Approved July 2; 54 Stat. 712. See proclamation No. 2413, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 211.

²¹ Initialed by the Chief of the Division (Hamilton) and by Assistant Secretary of State Grady.

steel. He knew of no decision involving the inclusion of those items in the list of commodities which would be made subject to the licensing system, but he did know, however, that this list was gradually being extended and might continue to be extended as the survey of the Advisory Commission to the Council on National Defense progressed.

Mr. Morishima then asked whether Mr. Grady could not undertake to make inquiry as to whether consideration was being given to restricting the export of scrap iron and scrap steel. Mr. Grady replied that he assumed that study was being given to the national defense needs in respect to a large variety of commodities and that for all he knew the question of scrap iron and scrap steel may have come up. He could not, however, undertake to make any inquiry such as Mr. Morishima suggested, as the deliberations of the Council were in confidence and as the divulgence of advance information in regard to the Commission's plans might have unfortunate effects in various ways, such as, for example, encouraging speculation in the markets by brokers. He said, however, that he could assure Mr. Morishima that administration of the National Defense Act was being governed strictly in accordance with the national defense needs and decision as to the inclusion of any particular commodity on the restricted list would be based upon our national defense requirements. Mr. Morishima said that the Japanese Government attached great importance to scrap iron and scrap steel and that the Japanese Ambassador felt that non-inclusion of iron and steel scrap in the restricted list would make for better American-Japanese relations. Mr. Grady emphasized that this Government had been forced by the world situation to take steps to strengthen its national defense and that our national defense needs must be our first consideration and he added that in any case the decision on what commodities are to be included in the restricted list is not a matter for the Department but for Col. Maxwell²² who receives advice from the Advisory Commission to the Council on National Defense.

894.00/934

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

[WASHINGTON,] July 24, 1940.

I call attention especially to paragraph four of Mr. Grew's telegram,²³ a copy of which is here attached.

²² Lt. Col. Russell L. Maxwell, U. S. Army, appointed Administrator of Export Control on July 2; see press release issued by the White House, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 216.

²³ Telegram No. 613, July 23, 6 p. m., p. 967.

The "opinion" of which an account is given in this paragraph seems to me to be based on sound considerations. Especially sound, in my view, is the reference to the potentially effective influence of "economic considerations". In that connection, the fact that there exists and there hangs over the head of the Japanese leaders the possibility of substantial embargoes (both in the export field and in the import field) by the United States is of great importance. But the possibility of substantial embargoes by this country is linked closely with the question of the existing location and the possible alteration of the location of the U. S. Battle Fleet. So long as we have the Fleet in the Pacific, and especially while we have it at Hawaii, the Japanese have reason to fear what we may do in the field of embargoes. The Fleet stands as the defensive and shielding arm behind which and screened by which there is the potential striking power of the other arm, embargo. If and when our Fleet leaves the Pacific and moves into the Atlantic, Japan will have reason to be very little fearful that we will go in extensively for embargoes. Thus, our present setup—with authority for embargoes and with the Fleet in the Pacific—contributes greatly to the maintenance of the negative equilibrium in Japanese political thought which is described in the paragraph under reference and it should contribute toward making good the "best opinion today" to the effect "that there will be no abrupt and drastic change in [Japan's] foreign policy in the immediate future."

STANLEY K. HORNBECK

811.20 (D) Regulations/199

Memorandum by the Acting Secretary of State

[WASHINGTON,] July 26, 1940.

In view of the unfortunate publicity, largely inaccurate, which had resulted in today's press from the premature statements made at the White House concerning the President's proclamation²⁴ subjecting to license petroleum products and steel and iron scrap, I requested the Japanese Ambassador to come in to see me this morning.

I told the Ambassador that the action taken by this Government by means of the President's proclamation was action resulting solely from the national defense requirements of the United States, was general in character, applicable to all nations and discriminating against no particular nation or nations. I further stated that the exact details involving what the licensing restrictions would cover

²⁴ No. 2417, July 26; *Foreign Relations, Japan, 1931-1941*, vol. II, p. 216.

had not yet been fully determined upon but that as soon as such determination had been reached, I would ask the Ambassador to come in again in order to give him full information.

The Ambassador expressed great appreciation at my having asked him to call. He said that the publicity had in fact been highly unfortunate and had created a very sharp reaction in Japan, and he hoped that the true facts, when they were ascertained, would cause this reaction to be modified in its extent. He said he would at once cable his government the contents of the communication I had made to him and that he had not as yet received any direct word from Tokyo in the matter.

July 27, 1940.

In as much as the regulations involving the application of the President's proclamation covering petroleum products, tetraethyl lead and its derivatives, and iron and steel scrap were approved yesterday evening by the President²⁵ and made public this morning, I asked the Japanese Ambassador to come back to see me. I handed a copy of the regulations to the Ambassador and explained the significance of them to him.

The Ambassador said that he was very much relieved to learn of the precise nature of these regulations. He, however, started to question the need of the Government of the United States to place any restriction on exports of aviation gasoline and of iron and steel scrap because of information which he said had been given him that there was an over-abundance in the United States of all of these products.

I immediately interjected that the determination by a sovereign government of what it required from its own supplies for national defense purposes was a matter which could not possibly be discussed with any other government. I stated that the competent authorities of this government had determined that these restrictions were necessary from the standpoint of American national defense and that it was quite impossible to consider a discussion of the accuracy of these determinations with any other government. I said, of course, the Government of Japan had frequently taken similar action and that this government would under no conditions consider it proper to question whatever determinations Japan might reach in this regard.

The Ambassador concluded the interview by saying that he trusted that in so far as Japan was concerned the regulations would be carried out in a considerate manner by the authorities of this government.

I replied to the Ambassador that as he well knew, it was my hope

²⁵ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 217.

that the policies and actions of both governments might be such as to make a friendly and understanding relationship between them possible.

S[UMNER] W[ELLES]

894.24/10861

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

[WASHINGTON,] July 29, 1940.

I had two calls at my house over the weekend by members of the British Embassy, sent by the Ambassador to lay before us considerations with respect to the President's proclamation calling for the licensing of petroleum products and scrap. The Ambassador has asked that these considerations be laid before you as soon as may be possible. I understand that he, himself, is asking for an appointment to see you today.

According to telegrams received by the British Ambassador from the Foreign Office, the British Government feels that the licensing proclamation has had a bad effect in Japan, and may result in bringing matters to a head in the Far East. The British Government point out the vital importance of high octane gas in their present war effort, and state that they are at present taking the whole output of high octane gas from The Netherlands Indies. The British Government are in accord with our desire to prevent large deliveries of gasoline to Japan at this time, but they feel that it is best not to bring about a crisis at this time, nor to have to go back on measures already taken. To sum up, the British are fearful that this licensing measure may result in the Japanese taking steps to insure possession and control of the petroleum products in The Netherlands Indies.

Another point brought up by the British Embassy is with respect to the relationship between the British Government and the American oil producers and exporters. The British officials have been told by American producers with some heat that the British Government is responsible for the placing of restrictions on exports of certain petroleum products from the United States in order to benefit through the sale of these same products to the Japanese from other sources, both British and Dutch. The British officials are extremely apprehensive whether the picture presented as a result of the President's proclamation will not seem to justify the accusation now being made by the American oil companies along those lines. The British make the statement that the matter of their relationship with the American oil companies is of primary importance to them in the carrying out of the war. They state that if the American oil companies really be-

lieve that the British have instigated the President's action for the purpose of benefiting from the restriction of the sale of American products, the oil companies can greatly hamper British action in defense of the British Isles, not to speak of matters relating to the Far East and other areas. The British Embassy is particularly anxious that we take steps to make known to the American oil companies, both on the Atlantic and the Pacific seaboard that this action of the President was taken entirely without any relationship to the British, and most certainly not at their inspiration or instigation, and that it is entirely based upon a strictly American policy. (This suggestion appears reasonable to me: the oil companies which will be represented at your forthcoming meeting regarding the Spanish Atlantic area could be informed at that time along these lines, and, if you approve of so doing, I could communicate with Mr. Grady, now in San Francisco, and have him drop that word to the oil companies of the Pacific coast, who, no doubt, will all be represented at the meeting of the National Trade Council which Mr. Grady is attending.)

Another matter the British were concerned with was the question of aviation gasoline and aviation lubricating oil which they now draw from the United States for their requirements in Great Britain. I told Mr. Butler, Counselor of the Embassy, both Saturday and yesterday, that I could assure him that there was absolutely no intention whatever of restricting supplies of this kind in the case of British requirements, and that as licenses will be granted for countries in this hemisphere, they could always draw as much as they required through their Canadian companies, and that if any difficulties arose in regard to this question, we were ready to discuss them as they came up.

I cannot too strongly point out the extreme importance the British Embassy give to the points raised above and it appears that (1) the licensing system would have most drastic results in the Far East, and (2) that it would be creating an extremely adverse disposition on the part of the American oil companies toward the British Government and would interfere greatly with the present British war effort.

JAMES CLEMENT DUNN

195.2/3757

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

[WASHINGTON,] July 29, 1940.

Mr. Morishima called at his request. He showed me a copy of a newspaper account of what Mr. Welles had said, in reply to inquiry, at the press conference on Saturday relating to the action of the Maritime Commission in granting a charter for a tanker to carry gasoline

to Vladivostok and in refusing two charters for shipments to Japan. Mr. Morishima stated that he wished to obtain an accurate statement of the facts. I read to him from Radio Bulletin No. 178, July 27, an account of what Mr. Welles had said, as follows:

"A correspondent said that there had been a great deal of speculation in connection with the fact that the Maritime Commission had granted a charter for a tanker to carry gasoline to Vladivostok, while it has previously refused two charters for shipments to Japan, and he inquired whether there might be implications of foreign policy involved. The Acting Secretary replied that there was no implication of foreign policy whatsoever. He said that his understanding was that it was a question as to whether or not danger was involved. A tanker going to Vladivostok was presumably not going to an area where hostilities were involved, while a tanker going to Spanish or Japanese waters was going to areas where hostilities were in progress, and decisions were reached solely on that basis."

I said that the newspaper report seemed to be in substantial conformity with what Mr. Welles had said.

Mr. Morishima then commented that the Pacific Ocean was of course a safe area. I replied that presumably the Maritime Commission was not attempting to draw fine technical distinctions but was apparently proceeding upon the basis of a broad general rule.

M[AXWELL] M. H[AMILTON]

811.20 (D) Regulations/308

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

[WASHINGTON,] July 30, 1940.

Participants: Mr. Harriman and
 Mr. Britton of the National Defense Council
 Mr. Hawkins²⁶
 Mr. Feis
 Mr. Schnee²⁷
 Mr. Hamilton

Mr. Hawkins arranged for Mr. Harriman and Mr. Britton of the National Defense Council to call on Mr. Feis with reference to certain problems relating to the export of machine tools to Japan. Mr. Feis asked Mr. Hamilton and Mr. Schnee to be present.

Mr. Harriman and Mr. Britton said that, while the National Defense

²⁶ Harry C. Hawkins, Chief of the Division of Commercial Treaties and Agreements.

²⁷ Alexander Schnee of the Division of Controls.

Act authorized the American Government to prohibit exportation of any machine tools which were needed for defense purposes, the act as it now stood provided no means whereby the Government could force a foreign owner of machine tools to sell those tools to the Government. They explained that an amendment to take care of this situation had been drafted and was under active consideration. They said that in the meantime they were confronted with a situation relating to Japan whereunder certain categories of machine tools which Japanese agents in this country had purchased were needed for defense purposes but there seemed to be no way in which they could cause the interested Japanese purchasers in this country to transfer title to the machine tools in question. They said that the Japanese interests involved had said that they might seek to sell these machine tools at a premium here in the United States and they remarked that other foreign purchasers of certain categories of machine tools export of which had been forbidden had already endeavored to sell these commodities in job lots in the United States. They said that the Japanese purchasers in this country had approached them and had intimated that, if they (the Japanese purchasers) could sit around a table with members of the Defense Council and discuss the matter as businessman to businessman, a satisfactory arrangement could probably be worked out whereby the Japanese would agree to transfer title to certain categories of machine tools especially needed in this country for defense purposes and the Defense Council would in turn agree to release for export various other categories of machine tools which the Japanese had purchased and which they desire to have exported as soon as practicable to Japan. They said that they had made an appointment for this afternoon with a representative of one of the Japanese firms concerned to discuss the matter with him.

There followed some general discussion of the situation during which both Mr. Feis and Mr. Hamilton emphasized that in their judgment it was unwise from several points of view for members of the Defense Council to discuss matters with members of foreign firms and to endeavor to negotiate or bargain or make a deal with such representatives. It seemed to be agreed by all that the proper remedy was to be found by seeking amendatory legislation. Mr. Hamilton referred to the fact that the Japanese Embassy had already approached us a number of times with a view to there being expedited the segregation of what machine tools were needed and what machine tools were not needed for defense purposes so that exportation of those categories not needed might be carried out promptly. Mr. Hamilton thought that, in view of these approaches by the Japanese Embassy, we might, should the Defense Council care to give us a list of those categories of machine tools which it needed and those categories of machine tools which it would be prepared to have exported, present

the list to the Japanese Embassy and see whether the Japanese Embassy would be prepared to cause Japanese exporters to transfer their titles to categories of machine tools needed for defense purposes. It was suggested further that Mr. Harriman and Mr. Britton might inform the representative of the Japanese firm who was due to call this afternoon that upon consideration of the matter the Defense Council had reached the conclusion that this subject was appropriately one for presentation by the Japanese Embassy to the Department of State.

Mr. Feis and Mr. Hamilton said that, while the foregoing represented their views, they would wish, if possible, to report to Mr. Welles with a view to obtaining his approval.

Subsequently, Mr. Feis and Mr. Hamilton called on Mr. Welles and explained to him the situation as outlined above and the views which they had expressed to Mr. Harriman and Mr. Britton. Mr. Welles expressed agreement.

Mr. Hamilton thereafter telephoned Mr. Britton and confirmed to him the views previously expressed at the conference in Mr. Feis' office. Mr. Britton said that he would inform the representative of the Japanese firm that this was a matter to be taken up by the Japanese Embassy with the Department of State. He said also that he had already taken steps toward having prepared a list of the categories of machine tools which they needed for defense purposes and a list of the categories of machine tools which they did not need for such purposes.

I asked Mr. Britton to be so good as to inform Mr. Feis as soon as practicable of developments relating to the question of amendatory legislation. Mr. Britton said that he would do this.

M[AXWELL] M. H[AMILTON]

811.20 (D) Regulations/530

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

[WASHINGTON,] August 3, 1940.

The Japanese Ambassador called to see me this morning at his request.

The Ambassador took out of his pocket a typewritten memorandum of which he read to me the last two paragraphs, but read them in such a way that it was impossible for me to obtain any very clear impression of the contents of this communication other than to know that in the final paragraph, the Japanese Government undertook to protest because of the announcement made that licenses would not

be issued for the exportation of aviation gasoline except to the other nations of the Western Hemisphere.²⁹

After I had read the communication,³⁰ the Ambassador added that the steps so taken by the Government of the United States had created a very unfortunate reaction in Japan.

I said to the Ambassador that in our previous conversation on this subject,³¹ I had made it very clear that the Government of the United States was the sole power to determine what the national defense requirements of the American people were and that this was a subject which this Government would not agree to discuss with any foreign power, no matter how friendly. I stated that I would not comment further upon the communication which the Ambassador had handed to me, but that a reply to it would be forthcoming and that as soon as the nature of this reply had been determined, I would request the Ambassador to come in again to see me.³²

The Ambassador seemed to be decidedly embarrassed and ill at ease. He asked if I did not agree that it would be better for him not to tell the press correspondents of the nature of the communication he had handed to me. I said that, in my judgment, under present conditions the less ventilation and airing of questions of disagreement between the two nations which was undertaken, the better it would be for the relations between the two countries, and that I believed if the two Governments sincerely desired to improve relations, it would be far more advantageous to try to work out an understanding of their common problems and of the complaints which each had to make with regard to the other in a quiet and not in a public manner.

S[UMNER] W[ELLES]

894.24/1066

*Memorandum of Conversation, by the Assistant Chief of the
Division of Controls (Yost)*

[WASHINGTON,] August 5, 1940.

Mr. Morito Morishima, Counselor of the Japanese Embassy, called this afternoon in regard to the gasoline export situation. Mr. Morishima first expressed his appreciation for the Department's action in authorizing the Universal Oil Products Company to proceed with the fulfillment of its 1928 contract with the Japan Gasoline Company.

²⁹ See press release issued by the White House, July 31, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 218.

³⁰ For the Japanese Embassy's communication of August 3, see *ibid.*

³¹ See memorandum by the Acting Secretary of State, July 26, p. 539.

³² For the Department's reply dated August 9, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 219.

He then turned to the question of the new restrictions on exports of aviation gasoline and said that Japanese business men had been startled and disturbed to find that the definition of aviation gasoline contained in the President's regulations of July 26³³ was broader than had been at first believed and that it apparently covered most types of crude oil and of motor gasoline. I told Mr. Morishima that the definition was couched in rather obscure technical language and that an attempt was now being made to prepare a clarification in simple terms which might be circulated to collectors of customs and to interested exporters. I added that I hoped that this clarification would be ready in a day or two. Mr. Morishima said that he trusted that it would not develop that the embargo applied to crude petroleum and motor gasoline as well as to aviation gasoline, since in this case he feared that Japanese importers might be obliged to reduce their purchases of cotton in this country. I made no comment on this remark.

CHARLES W. YOST

811.20 (D) Regulations/333

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

[WASHINGTON,] August 15, 1940.

At the conclusion of a conversation held this morning in Mr. Morgenthau's³⁴ office in which Mr. Morgenthau, Mr. T. V. Soong,³⁵ and Messrs. Cochran,³⁶ White³⁷ and Hornbeck participated (see separate memorandum)³⁸, Mr. Morgenthau asked me to remain with him.

Mr. Morgenthau said that he was interested in and concerned about the question of embargoes upon exports of petroleum to Japan: he hoped to have the embargo made more extensive than it now is. He asked for my views on the subject. I replied that in my opinion the problem of petroleum embargoes is full of difficult angles; that there would seem to be very good reasons for not attempting to prevent exports of crude oil; that in any consideration of the question of embargoes account must be taken of the fact that not one only but several effects flow from the exportation or non-exportation of a given commodity or group of commodities. Mr. Morgenthau asked whether I thought that, if our petroleum embargo were made more extensive

³³ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 217.

³⁴ Henry Morgenthau, Jr., Secretary of the Treasury.

³⁵ T. V. Soong, Chairman of the Board of Directors, Bank of China.

³⁶ H. Merle Cochran, Technical Assistant to the Secretary of the Treasury.

³⁷ Harry D. White, Director of Monetary Research, Treasury Department.

³⁸ *Post*, p. 664.

Japan would take drastic action against us or move toward forceful seizure of the Netherlands East Indies. I replied that Japan could purchase ample supplies of crude oil from outside the United States, even from the Netherlands East Indies; that an embargo by us on crude oil would not materially hurt her; that she is in no position deliberately to challenge us; that I have all along believed that her policy and action with regard to a possible attack upon the Netherlands East Indies will be on the side of caution pending clarification of the situation in Europe; and that, not desperately needing petroleum at this time, she would not proceed toward seizure of the Netherlands East Indies, with the exposure of her naval position that would be required, merely because of an embargo by this country nor would she act drastically against us. Mr. Morgenthau said that such was also his view. I referred again to the fact that Japan can get plenty of petroleum from sources outside of—and not under control of—the United States.

There followed some discussion of the subject of economic pressures.

S[TANLEY] K. H[ORNBECK]

811.20 (D) Regulations/367

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

[WASHINGTON,] August 23, 1940.

The Japanese Ambassador called this afternoon at his request. The Ambassador first of all made what he termed an oral statement to me by instruction of his Government, a copy of which is attached herewith.³⁹ I made no comment whatever beyond stating that the views of this Government with regard to the protests of the Japanese Government had been fully set forth in my previous communication to him on the subject of the restrictions on the export of aviation gasoline.⁴⁰

The Ambassador then stated that he had been glad to see that certain licenses had been issued for the export to Japan of crude petroleum and ordinary gasoline and that this coincided with the statements I had made to him in our previous conversation on the subject, namely, that only aviation gasoline would not be licensed. I reminded the Ambassador he had been informed that that was the case under the regulations issued and that there had been no implication in my statement to him that conditions might not so change as possibly to require

³⁹ *Infra.*

⁴⁰ See Department's reply dated August 9, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 219.

later, in the interests of national defense, further restrictions on the export of categories of petroleum products other than merely aviation gasoline.

S[UMNER] W[ELLES]

811.20 (D) Regulations/367

Oral Statement by the Japanese Ambassador (Horinouchi) to the Under Secretary of State (Welles), August 23, 1940

Concerning the embargo on the export of aviation gasoline outside the Western Hemisphere, the Japanese Government attaches importance to the statement of the United States Government⁴¹ that the measure, which virtually accords preferential treatment to the nations of the Americas, is necessary in the interest of national defense. The Japanese Government maintains its views expressed in the Japanese Ambassador's note of August 3, 1940,⁴² and will observe with keen interest the actual application of the export restrictions.

894.00/957: Telegram

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

TOKYO, September 12, 1940—9 p. m.
[Received September 12—7: 12 p. m.]

827-830. 1. The observations of Mr. A. T. Steele⁴³ concerning [conditions?] in Japan conveyed in Peiping's 300, August 31, 3 p. m.,⁴⁴ recently received here by mail, have had my careful attention. In general terms I believe that Mr. Steele's observations are well founded and sound, a belief which applies equally to the important considerations advanced in the final two paragraphs of the summary of Mr. Steele's statement. His thesis that "firmness is the soundest and safest American naval policy" and that "the risks involved are much less than is commonly supposed in the United States" is however of such far-reaching gravity as to deserve carefully studied analysis and comment. In presenting the present trend of my thoughts on this general subject I have constantly in mind the fact that the shaping of our policy vis-à-vis Japan must depend upon the broader viewpoint of the administration in Washington and upon many factors which may not be apparent to this Embassy.

⁴¹ See statement of August 9, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 219.

⁴² *Ibid.*, p. 218.

⁴³ Far Eastern correspondent for the *Chicago Daily News*.

⁴⁴ Not printed; Mr. Steele prepared a statement for the Embassy office at Peiping.

2. The situation and circumstances which led to the series of exploratory conversations with the former Foreign Minister Arita ⁴⁵ (my 400, June 3, noon ⁴⁶) and to the recommendations for considering steps leading toward the negotiation of a new treaty of commerce with Japan (my 562, July 11, 9 p. m. ⁴⁷) have now obviously passed. I earnestly hope that the time will come when I shall feel justified in renewing those recommendations, but with the fall of the Yonai Cabinet ⁴⁸ and the radically altered policy and outlook of the present set up in Japan, further initiative on our part in proposing conciliatory measures at the present time would appear to be futile and unwise.

3. Whatever may be the intentions of the present Japanese Government, there can be no doubt that the army and other elements in the country see in the present world situation a "golden opportunity" to carry into effect their dreams of expansion; the German victories have gone to their heads like strong wine; until recently they have believed implicitly in the defeat of Great Britain; they have argued that the war will probably [terminate?] in a quick German victory and that it is well to consolidate Japan's position in greater east Asia while Germany is still acquiescent and before the eventual hypothetical strengthening of German naval power might rob Japan of far flung control in the Far East; they have discounted effective opposition on the part of the United States although carefully watching our attitude. The ability of the saner heads in and out of the Government to control those elements has been and is doubtful.

4. Now, however, I sense a gradual change in the outburst of exhilaration which greeted the new Government on its inception. The Japanese Government, the army and navy and the public are beginning to see that Germany may not defeat Great Britain after all, a hypothesis which I have constantly emphasized to my Japanese contacts in the plainest language and now to add to that dawning realization, they see the United States and Great Britain steadily drawing closer together in measures of mutual defense with the American acquisition of naval bases in British possessions in the Atlantic and with our support of the British Fleet by the transfer of 50 destroyers.⁴⁹ They hear reports of our haste to build a two-ocean navy and of our considering the strengthening of our naval

⁴⁵ Yosuke Matsuoka became Japanese Minister for Foreign Affairs on July 22.

⁴⁶ *Ante*, p. 338.

⁴⁷ *Ante*, p. 398.

⁴⁸ Adm. Mitsumasa Yonai's Cabinet resigned July 16 and was succeeded by Prince Fumimaro Konoye's second Cabinet on July 22.

⁴⁹ For correspondence on this subject, see vol. III, section under United Kingdom entitled "Negotiations for Transfer of American Destroyers to the British Navy and for Establishment of American Naval and Air Bases in British Possessions in the Western Hemisphere."

bases in the Pacific and even rumors of our eventual use of Singapore. These developments and rumors are having their logical effect on Japanese consciousness. On the one hand they tend to emphasize the potential danger which Japan faces from eventual positive action by the United States and Great Britain acting together (the danger of combined Anglo-American measures has long been appreciated in Japan as evidenced by efforts to avoid irritating the United States and Great Britain simultaneously) or by the United States alone. On the other hand they furnish cogent arguments for those elements in Japan who seek economic and political security by obtaining markets and source of raw materials wholly within the control of Japan. As for Germany, the Japanese are beginning to question whether even a victorious Germany would not provide a new hazard to their expansionist program both in China and in the southward advance. Meanwhile the future position and attitude of Soviet Russia is always an uncertain factor in their calculations. These various considerations are beginning to give them concern. High pressure diplomacy, especially in the Netherlands East Indies, will continue, but the fact that the Japanese Government was able even temporarily to restrain the military forces from their plans for a headlong invasion of Indo-China indicates a degree of caution which I do not doubt was at least partially influenced by the attitude of the United States. What Mr. Steele describes as the "nibbling policy" appears likely to continue until the world situation, and especially the attitude of the United States, becomes clearer.

5. In previous communications I have expressed the opinion that sanctions by the United States would set Japanese-American relations on a downward curve. It is true that our own newly instituted program of national preparedness now justifies measures which need not fall within the realm of outright sanctions. On the other hand we must envisage the probability that drastic embargoes on the export of such important products as petroleum, of which the United States is known to possess a superabundance, would be interpreted by the Japanese Government and people as actually [being?] sanctions which might and probably would lead to some form of retaliation. The risks which Mr. Steele sees as "much less than is commonly supposed in the United States" will depend less upon the careful calculations of the Japanese Government than upon the uncalculating "do or die" temper of the army and navy in case they should attribute to the United States the responsibility for the failure of their expansionist plans. Such retaliation might take the form of counter measures by the Government but there would be even greater likelihood of some sudden stroke by the army or navy without the

Government's prior knowledge or authorization. These risks constitute an imponderable factor which cannot at any given moment be weighed with assurance. It would be short [*shortsighted?*], however, to deny their existence or to proceed with the formulation of policy and the adoption of measures without giving these potential risks full consideration and determining the wisdom of squarely facing these risks.

6. In the ensuing observations I am carefully considering both of the fundamental purposes of my mission, namely the protection and advancement of American interests and the maintenance of good relations between the United States and Japan. When these two desiderata conflict, the preponderant emphasis to be placed on the one or the other is a matter of high policy which does not lie within my competency. My object is merely to place before the administration in Washington the outstanding factors in the situation as we see them from the angle of this Embassy. Having carefully set forth the inevitable hazards involved in a strong policy I now respectfully turn to the hazards involved in a *laissez faire* policy.

7. In discussing the specific question of American-Japanese relations it is impossible to view that problem in its proper perspective without considering it as part and parcel of the world problem which, briefly, presents the following aspects:

(a) The United States and Great Britain are the leaders of a great group of English speaking nations around the world standing for a "way of life" which is being appallingly threatened today by a group of Germany, Italy, Soviet Russia and Japan whose avowed purpose is to impose by force of arms their will upon conquered peoples. In attempting to deal with such powers the uses of diplomacy are in general bankrupt.

Diplomacy may occasionally retard but cannot effectively stem the tide. Force or the display of force can alone prevent these powers from attaining their objectives. Japan today is one of the predatory powers; she has submerged all moral and ethical sense and has become frankly and unashamedly opportunist, seeking at every turn to profit by the weakness of others. Her policy of southward expansion is a definite threat to American interests in the Pacific and is a thrust at the British Empire in the east.

(b) American security has admittedly depended in a measure upon the existence of the British Fleet which in turn has been, and could only have been, supported by the British Empire.

(c) If we conceive it to be in our interest to support the British Empire in this hour of her travail, and I most emphatically do so conceive it, we must strive by every means to preserve the *status quo* in the Pacific at least until the European war has been won or lost. In my opinion this cannot be done nor can our interests be further adequately and properly protected by merely registering disapproval and keeping a careful record thereof. It is clear that Japan has been

deterred from taking greater liberties with American interests only out of respect for our potential power; it is equally [clear] that she has trampled upon our rights to a degree in precise ratio to the strength of her conviction that the American people would not permit that power to be used. Once conviction is shaken it is possible that the uses of diplomacy may again become accepted.

(d) If then we can by firmness preserve the *status quo* in the Pacific until and if Britain emerges successfully from the European struggle, Japan will be faced with a situation which will make it impossible for the present opportunist philosophy to maintain the upper hand. At a moment it might then be possible to undertake a readjustment of the whole Pacific problem on a fair, frank, and equitable basis to the lasting benefit of both the United States and of Japan. Until such time as there is a complete regeneration of thought in this country, a show of force, together with a determination to employ it if need be, can alone contribute effectively to the achievement of such an outcome and to our own future security.

8. Passing from the general to the specific problem that now confronts us, and with the foregoing picture in mind, I applauded the **timeliness** of the instructions contained in the second part of Department's 331 [321], August 23, 6 p. m.⁵¹ concerning the Shanghai defense sectors. The Department will have seen from my 791, September 4, 11 p. m.⁵² paragraph No. 2 that the Foreign Minister's complaint as to alleged threats on our part was met with the statement that what we have in mind is "a logical reciprocal adjustment of international relations." I feel that the appropriate time has come to proceed, gradually but progressively, with that adjustment. In the present situation and outlook I believe that the time has come when continued patience and restraint on the part of the United States may and probably will lead to developments which will render Japanese-American relations progressively precarious. It is my hope that if the Japanese Government and people can be led to believe that their hand is being overplayed, there will eventually ensue a reverse swing of the pendulum in which a reconstruction of good relations between the United States and Japan will be possible. The alternative seems to me to be hopeless.

9. The foregoing analysis, which has been drafted with care over a period of several days, has the expressed complete concurrence of the Naval, Military and Commercial Attachés and all other members of the immediate staff of this Embassy.⁵³

GREW

⁵¹ *Post*, p. 788.

⁵² *Post*, p. 798.

⁵³ In telegram No. 364, September 24, 6 p. m., the Secretary of State expressed to the Ambassador in Japan the Department's appreciation for "the penetrating analysis and cogent comment contained in your telegram." (894.00/957)

894.00/958 : Telegram

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

TOKYO, September 13, 1940—6 p. m.
 [Received September 13—10:25 a. m.]

834. In the absence of the British Ambassador⁵⁴ but at his direction the Counselor of the British Embassy today let me read a long five-page telegram from the British Ambassador in Washington⁵⁵ reporting in detail his conversation with the Secretary on September 5⁵⁶ in the presence of Sir A. Agnew.⁵⁷

Although several points in my 827, September 12, 9 p. m., and immediately ensuing telegrams are in close accord with Lord Lothian's remarks, I wish to make perfectly clear the fact that no point in my own analysis was discussed with my British colleague, who has been absent from Tokyo for some time, and that the apparently close coincidence of some of my own expressed views with some of the views expressed by Lord Lothian is purely fortuitous. This seems to be a case of noteworthy timing and of two independent observers separately reaching very much the same general conclusions, but I wish to say with the utmost emphasis, if such a statement is not wholly superfluous, that my own conclusions were reached uninfluenced by any considerations whatsoever other than what I conceive to be the best interests of the United States.

GREW

811.20 (D) Regulations/961

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

[WASHINGTON,] September 13, 1940.

MR. SECRETARY: It seems to me that the question of policy and possible changes of policy in relation to exporting of petroleum products is a much bigger and more important question than the same in relation to exports of scrap iron—for the reason that the problem of policy in relation to petroleum involves not only the domestic questions and the Far Eastern questions which arise in connection with the problem of regulating exports of scrap iron but in addition questions of relationships with Great Britain and the Netherlands (and British and Dutch companies) and efforts at cooperation, in the field of regula-

⁵⁴ Sir Robert L. Craigie.⁵⁵ The Marquess of Lothian.⁵⁶ See memorandum of September 5, p. 97.⁵⁷ Managing Director of the Shell Transport and Trading Co., Ltd., London.

tion, with those countries (and those companies). Also, the petroleum question involves much more extensive interests, much greater sums of money, and much greater potentialities in relation to the broad question of the use of embargoes as instruments of policy than does the scrap iron question. Both problems are, in my opinion, important; but we should, I think, keep in mind the above points as bearing upon their relative importance.

S[TANLEY] K. H[ORNBECK]

811.20 (D) Regulations/989

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton)*⁵⁸

[WASHINGTON,] October 7, 1940.

Reference CO's⁵⁹ memorandum of September 28 in regard to the suggestion made in the Canadian Legation's memorandum of September 24⁶⁰ that certain revisions be made in the list of materials subject to export license in the United States and in Canada.

With special reference to exports to Japan the Canadian Legation draws attention to the fact that copper, lead, nickel, zinc and nickel scrap are in Canada subject to export license whereas these commodities are not subject to license in the United States. The Canadian Legation asks the reason for such exclusion.

Figures compiled by the Chinese Council for Economic Research in August of 1940 indicate that in 1939 the United States exported to Japan copper valued at \$28,550,067 as against exports of Canada to Japan valued at \$2,314,263. (The American share of total copper shipments to Japan is given as 92.19 percent as against 7.47 percent from Canada.)

The same source gives exports of lead from the United States to Japan in 1939 as valued at \$2,153,974 (33.83 percent of total shipments to Japan) as against shipments from Canada valued at \$2,565,910 (40.29 percent of the total shipments). Same source states that in 1939, shipments of nickel from the United States were valued at \$83,717 (less than 1 percent of the total) as against shipments from

⁵⁸ In an attached memorandum of October 8, the Chief of the Division of Far Eastern Affairs (Hamilton) stated he had written this upon the basis of his impressions from the last large conference in the office of the Secretary of State. The Adviser on Political Relations (Hornbeck) added a notation as follows: "I favor (1) keeping more of essential commodities at home, and (2) cooperating with the Canadian Government when (if) they offer the opportunity *and* a common objective may be served."

⁵⁹ Division of Controls.

⁶⁰ Neither printed.

Canada to Japan valued at \$8,442,613 (90.53 percent of the total). Shipments of zinc from the United States to Japan were valued at \$237,111 (5.37 percent of the total shipments to Japan) as against shipments from Canada to Japan valued at \$1,222,945 (27.69 percent of the total). There does not seem to be available any recent figures in regard to the exports of nickel scrap from the United States and Canada. The *Minerals Yearbook, 1938*, shows, however, that the total production of secondary nickel (nickel recovered as metal and in non-ferrous alloys and salts) in 1937 was only 2,400 short tons valued at \$1,680,000.

In effect the Canadian Legation's memorandum under reference would seem to suggest that although the five items mentioned above are of special importance it might be advisable to revise the United States and Canadian lists of commodities subject to export license in such manner as to bring them into substantial accord and thus facilitate and make safe the prompt exchange between the two countries of such commodities as are subject to export control.

According to the Canadian Legation's memorandum, "The Canadian export control system was designed, primarily, to prevent products of strategic importance, of which Canada was a significant supplier of world requirements, from reaching enemy destinations, directly or indirectly."

It is the understanding of the Division of Far Eastern Affairs that thus far the system of export licenses of the United States Government is designed to conserve in the United States materials which the United States needs for use in the development of its defense program and has not up to this point specifically included stopping or restricting the export of materials of which we have a surplus in order that such materials may not reach and strengthen the potential enemies against whom our defense program is expected to afford protection.

If the Government of the United States should accede to the wishes of the Canadian Government in regard to bringing the restricted lists of the two countries into substantial accord it would seem that such action would have to be based not solely upon the need of the United States for the commodities in question but upon other and additional considerations.

The Division of Far Eastern Affairs feels that acquiescence in the suggestion made in the Canadian Legation's memorandum would not (under existing circumstances) be feasible. The Division of Far Eastern Affairs believes, however, that it would not be politic to return a categorical "no" to the Canadian Legation and suggests that Mr. Dunn or other appropriate officer of the Department invite Mr.

Mahoney, Commercial Counselor and Chargé d'Affaires ad interim of the Canadian Legation (as it is understood that Mr. Mahoney left the memorandum under reference at the Department) to call at the Department and make to him an oral statement along lines as follows:

Appropriate officers of the Department of State have read with much interest the memorandum of the Canadian Legation left at the Department by Mr. Mahoney on October 1 and the Department of State very much appreciates the action of the Canadian Government in making available to it the information contained in the memorandum in regard to Canadian export control practice.

So far as its general attitude in relation to Japan is concerned, this Government, as indicated by the Secretary of State to the British Ambassador recently,⁶¹ has pursued a definite and somewhat progressive course of acts and utterances in resisting Japanese aggression and treaty violations during recent years; these acts and utterances have comprised repeated aid to China, successive moral embargoes, abandonment of the American-Japanese commercial treaty, actual embargoes under law, the sending of our navy to Hawaii, together with appropriate statements and notes of strong remonstrance against Japanese steps of aggression and constant repetition of the basic principles of world order under law. Of course, the special desire of this Government is to see the British Empire succeed in the war and its acts and utterances with respect to the Pacific area would be more or less affected as to time and extent by the question of what course would, on the part of this Government, most effectively and legitimately aid Great Britain in winning the war.

With specific reference to the question of export control practice, it is noted that the Canadian export control system is designed, primarily, to prevent products of strategic importance, of which Canada is a significant supplier of world requirements, from reaching enemy destinations, directly or indirectly. The system of export licenses in effect in the United States has been thus far designed to conserve in the United States materials needed for the development of our defense program and this will explain the reasons for the omission from our restricted list of commodities which are considered to be available to this country in sufficient quantities without the imposition of export control.

This Government's licensing system is of course not fixed in any hard and fast pattern and is under constant scrutiny with a view to effecting such changes therein as developments may require or render desirable. It may be expected that as our defense program develops additions to and changes in our list of restricted commodities will be made from time to time.

This Government appreciates fully the desirability of friendly and frank cooperation with the Canadian Government in matters of common concern and is of course aware of the advantages that would accrue from substantially similar action in the matter of export control.

M[AXWELL] M. H[AMILTON]

⁶¹ See memorandum of September 30, p. 159.

711.94/1745a : Telegram

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

WASHINGTON, October 8, 1940—6 p. m.

383. The Japanese Ambassador called this morning on the Secretary of State⁶² and delivered a formal note⁶³ protesting against the regulations dated September 30, 1940, governing the exportation of iron and steel scrap.⁶⁴ It is stated in the note that the restrictions effected by the regulations constitute a "virtual embargo", that they are discriminatory, and that they "cannot fail to be regarded as directed against Japan, and, as such, to be an unfriendly act." The note was accompanied by an informal document⁶⁵ in which it is stated that the progressive application of restrictions against Japanese trade may cause future relations between the United States and Japan to become "unpredictable".

The Secretary informed the Japanese Ambassador that he would in due course examine the papers and that he would reply in writing if he felt that any such reply were called for.⁶⁶ He also made observations as follows:

(a) As had been previously explained, the restrictions placed upon the exportation of steel and iron scrap were regarded as measures of national defense by the duly constituted agencies of the American Government, and the question whether or not the imposing of the restrictions could be considered as a national defense measure was one which this Government alone was competent to decide.

(b) It is amazing that any Government with a record such as that of the Japanese Government of injuring and disregarding property and other rights of American citizens in China should see fit to make any complaint to this Government on the basis of alleged discrimination. In view of the patience and moderation displayed by this Government in the face of constant and repeated Japanese depredations against American rights and interests in the Far East, the Japanese Government was in no position to characterize a national defense measure as an unfriendly act.

HULL

811.20 (D) Regulations/996

Memorandum by Mr. Edward T. Wailes of the Division of European Affairs

[WASHINGTON,] October 23, 1940.

There is quoted below the pertinent paragraph from a conversation between Mr. Moffat⁶⁷ and Dr. Skelton, Under Secretary of State for

⁶² For memorandum of conversation, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 225.

⁶³ Dated October 7, *ibid.*, p. 223.

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*, p. 224.

⁶⁶ For reply dated October 23, see *ibid.*, p. 229.

⁶⁷ Jay Pierrepont Moffat, Minister in Canada.

External Affairs, held⁶⁸ on October 12, 1940 with respect to the question of export licenses:

"I told Dr. Skelton that I had discussed the metals situation while in Washington. This could be divided into two parts (a) copper and (b) a parallel policy with regard to the exports of strategic products. As to copper, I found there were great difficulties in that if we should embargo its export from the United States nonetheless most of the Chilean and Peruvian copper which would continue to go to Japan would be American owned. We have no way of putting pressure on the American companies unless we bought up all their Chilean and Peruvian output which we were unwilling to do. As to the general proposition I found a good deal of favorable opinion but thought it would take a little while at least to crystallize as so many Government departments were directly interested. Dr. Skelton told me that since Canada had acted on Tuesday last the question of copper was no longer so urgent. He still hoped, however, that we could get together on the broader question of policy."

894.24/1167

*The Japanese Embassy to the Department of State*⁶⁹

WASHINGTON [undated.]

The Japanese Embassy has the honor to thank the Department of State for its good offices which made possible the fulfillment on the part of Universal Oil Products Company of the terms of its 1928 contract with the Japan Gasoline Company.

Unfortunately, however, the Japanese Embassy regrets to note that as a result of the decision of the Department of State last December placing a moral embargo on plans, plants, manufacturing rights, or technical information required for the production of high quality aviation gasoline, it has been rendered impossible on the part of Universal Oil Products Company to fulfill the terms of its 1938 contract with Japan Gasoline Company.

Accordingly, Japan Gasoline Company has been obliged to file a damage suit against Universal Oil Products Company for non-fulfillment of the terms of said contract. However, in view of their many years of friendly business connections, Japan Gasoline Company, in truth, prefers an amicable settlement outside of court.

In view of the circumstances, if the Department of State, by dint of its good offices, could grant a license to export all the "processes" stipulated in said contract to Universal Oil Products Company which do

⁶⁸ At Ottawa.

⁶⁹ Handed to Assistant Secretary of State Berle by the Japanese Chargé on October 23.

not relate immediately to the production of high quality aviation gasoline, the Japanese Embassy would suggest to Japan Gasoline Company that it withdraw the damage suit, while establishing and reserving its right to the "processes" for the production of high quality aviation gasoline, as stipulated in the said 1938 contract, but shelving it for the time being.⁷⁰

811.20 (D) Regulations/997

*Memorandum of Conversation, by the Chief of the Division
of Controls (Green)*

[WASHINGTON,] October 28, 1940.

Mr. A. D. Marris, First Secretary of the British Embassy, called at my Office this morning to resume our conversation⁷¹ in regard to the possibility of parallel action on the part of the American, British, and Canadian Governments in respect to restrictions on exports to Japan. He showed me a long telegram which the Embassy had received from London suggesting a formal but secret consultation in London of representatives of the American, British, Dominion, Netherlands, and Belgian Governments for the purpose of parallel action among all concerned in respect to this matter. He showed me also the Embassy's reply to that telegram. In the reply there was set forth at some length description of the administration of export control in this country; recent conversations between the Ambassador and the Secretary in regard to parallel action between the United States and Britain⁷² were referred to; Mr. Marris' recent conversations with me were also referred to; and, in summing up, it was suggested that any proposal for a formal conference be deferred at least until after the Presidential election. Mr. Marris asked me whether I approved in general the reply which the Embassy had sent.

I replied in the affirmative, adding that I intended to bring his proposals to the attention of my colleagues and superiors some time this week and that I hoped that further discussions between us in the course of a month or so might bring about such a degree of parallel

⁷⁰ On November 16 the Secretary of State replied that the Department would give "due consideration" to the Japanese proposals with respect to the 1938 contract between the two companies.

⁷¹ In a previous conversation on October 15 Mr. Green and Mr. Marris exchanged information on American and British restrictions on exports to Japan; memorandum of conversation not printed.

⁷² See memoranda of conversations dated September 30, October 5 and 7, pp. 159, 167, and 168.

action between our two Governments that such a formal conference as his Government proposed would be unnecessary.

JOSEPH C. GREEN

711.94/1806 : Telegram

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

PEIPING, October 29, 1940—noon.

[Received October 30—7:45 a. m.]

407. Peiping's 301, September 3, 3 p. m.; and 302, September 3, 4 p. m.⁷³ The informant quoted in Peiping's 408, October 29, 1 p. m.,⁷⁴ is the person mentioned in Peiping's 301, September 3, 3 p. m. The informant⁷⁵ is an exceptionally well qualified and thoughtful observer of Far Eastern affairs; the quotation is from a recent letter to his home board.

The Department's attention is particularly invited to the possible Japanese course of action mentioned by the informant. The Embassy here believes that the views expressed therein may fairly be considered as representing the views of the large majority of responsible and thoughtful Americans both businessmen and missionaries in the Japanese occupied areas of China.

Only a few days ago a responsible American businessman remarked to the Embassy that he felt there was a great danger that the American Government and people might be misled by Japanese "fair promises and minor concessions"; he said that he feared that purely negative Japanese action—such as refraining from time to time from air bombing of American property, the absence of an active anti-American campaign, and minor concessions on various matters—might be erroneously interpreted in some American quarters as evidence of a sincere change of heart on the part of the Japanese. He expressed the urgent hope that the American Government and people would not be taken in by such Japanese methods and strongly urged that the American Government should adopt an increasingly firm attitude toward Japan, unless all Japanese restrictions on American trade and other interests in China were promptly removed. Other Americans, both businessmen and missionaries, have commented in similar vein.

Sent to the Department. Repeated to Chungking, Shanghai. Code text by air mail to Tokyo.

SMYTH

⁷³ Neither printed.

⁷⁴ *Infra.*

⁷⁵ J. Leighton Stuart, American president of Yenching University, Peiping.

894.24/1128 : Telegram

*The First Secretary of Embassy in China (Smyth) to the Secretary of State*PEIPING, October 29, 1940—1 p. m.
[Received October 30—9:28 a. m.]

408. The informant's views are as follows:

"There is the heartiest endorsement here among Americans generally over the action of our Government in prohibiting the sale of steel and scrap iron to Japan.⁷⁶ We are also encouraged by what seems to be widespread editorial and popular approval of this decision. We hope that it will be extended to other war materials, or even to complete stoppage of all imports from and exports to Japan until there is a fundamental change of policy in that country. This would mean concretely the withdrawal of all their armed forces from China and an abandonment of the southward or oceanic expansion. Should this involve us in war with Japan—as I still think is unlikely—it would be more quickly and easily over with than if allowed to drift until the inevitable and far more disastrous conflict of the future, when possibly moral aspects of our action would also be less easy to defend.

Japan has now three possible courses in response to the American attitude:

(1) A reckless continuance of the imperialistic aggression the extent of which is now being unmistakably disclosed. This would be logical in view of their long preparation, enormous expenditure, national prestige, admiration of German technique, and racial temperament. The dominant military group would otherwise forfeit its power, and hence will only be deterred by superior force. At present the news from Tokyo is of warlike propaganda and preparation in the midst of highly emotional excitement. This spasm of resentment and of reluctance to lose the alluring benefits of conquest would be great whatever may be their ultimate decision.

(2) A realization of the disastrous consequences to themselves in provoking American economic and possible naval opposition, with the probable co-operation of Great Britain, and the intensified Chinese resistance that would follow. This may enable the industrialists, financiers, liberals and moderates generally to curb their headstrong militarists and open the way toward a negotiated peace. In this they would have a measure of support at least from the navy which has a much more realistic appreciation than the army of the dangers they would incur.

(3) The most probable and most unsatisfactory course will be an apparent compliance with American demands, with fair promises and some minor concessions, thus attempting to lull our people into a comfortable belief that the crisis is over. This

⁷⁶ See President Roosevelt's regulations, dated September 30, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 223.

has been the consistent Japanese procedure thus far and they are skillful in such diplomatic trickery. As one who hates war as ardently as can any pacifist, whose life also and almost all that makes life desirable would be in immediate danger if either of the other courses were adopted by Japan, I fear this dilatory opportunism of illusory quieting down of American sentiment more than anything else that could happen. For it can only lead to vastly greater wretchedness for China, far heavier cost to ourselves later, and tragedy for Japan. The destruction of any or all the American life and property involved is relatively trivial in comparison with the greater gains, gains [which?] would stimulate our determination to secure a thorough going settlement and would establish on a surer basis all those American enterprises in the occupied areas of China which cannot in any case survive unless the relentless Japanese grip is for all time removed. The chief purpose in my writing again is to plead as passionately as possible that our Government and people see this through at any cost now that they have taken a definite stand regardless of plausible Japanese publicity or meretricious proposals of compromise. For these will not be and indeed cannot be genuine. Their stakes in this adventure are too heavy."

Sent to the Department. Repeated to Chungking, Shanghai.
Code text via air mail to Tokyo.

SMITH

811.20 (D) Regulations/720

The British Embassy to the Department of State"

PRÉCIS OF CABLES

1. The most powerful weapon available to the British and Allied Governments and the Governments of the Western Hemisphere for dealing with Japan lies in action in the Economic sphere.

2. The use these Governments are at present making of this weapon is largely ineffective because its application and aim are unco-ordinated, and its adoption is not comprehensive. Moreover, even allowing the fullest intention to co-operate it is difficult to harmonise the different systems of export control in force in the U. S. A. and throughout the British Empire.

3. Effective action demands immediate joint action, preceded by joint and comprehensive consultation between the U. S. G.,⁷⁸ the British Empire and the Dutch.

⁷⁷ Handed by the First Secretary of the British Embassy to the Chief of the Division of Controls on November 1.

⁷⁸ U. S. Government.

The advantages of joint action must also be considered in the light of certain particular aspects of the problem :

(i) It is agreed that it would be unwise at present to provoke Japan to war or other violent reaction.

(ii) Tangible proof of the unity of purposes of the Democracies at the present time is the only effective means of demonstrating to Japan the strength of the non-Axis Powers.

(iii) It is politically unwise for any one of them to act far in advance of the others, and probably impossible to obtain full co-operation from the Dutch without the participation of the U. S.

4. There is growing evidence of Japan's increasing efforts to add to her stocks of key commodities, and it follows that the immediate restriction of key exports is a matter of the utmost importance and urgency, for without it Japan will be immune for a vital number of months from the effects of an application of the Economic weapon.

5. The restriction of imports from Japan appears to call for less precise co-ordination, but is a powerful weapon and one which can most effectively be handled by Joint, if not necessarily consistent action.

6. In the expectation that the U. S. G. will be prepared to take Joint action with the British and Allied Governments, H. M. G. has asked the co-operation of the Dominion Governments in :

(a) Extending the range of the Licensing System at present in force by adding further commodities, by more rigid application by the Dominions, and bringing China and Manchuria within its scope.

(b) Making more drastic the restrictions on key commodities.

It is not however, intended to apply any additional embargo on other than supply grounds except after consultation with the U. S. G.

7. H. M. G. urges the U. S. G. to co-operate immediately by limiting to normal proportions by Export License (except where more stringent embargoes are already in force) all essential goods so far as practicable.

8. But paragraphs 6 and 7 are only a temporary makeshift. There remains an imperative need for the machinery whereby the full force of Economic Pressure can be directed and controlled. This must be preceded by Joint Consultation for the purposes of :

- (1) Standardising the application of Economic Control.
- (2) Extending it over a wider range of commodities.
- (3) Effectively establishing the machinery for its operation throughout the Western Hemisphere as one of the main foundations of Total Defence in the Pacific.

811.20 (D) Regulations/1004

*Memorandum by Mr. Howard J. Trueblood of the Office of the Adviser
on International Economic Affairs*⁷⁹

[WASHINGTON,] November 12, 1940.

From an examination of the underlying memoranda⁸⁰ it does not appear that the basis at present exists for parallel action on the part of the United States and Great Britain for imposing restrictions on exports to Japan. Before such action could be taken it would be desirable to have much more complete information with regard to Japanese sources of supply and a far more integrated control system than that implied by the British suggestions for parallel action.

For obvious reasons the British are extremely desirous that the United States restrict exports of certain commodities to Japan including cobalt, copper, carbon black, cotton linters, graphite, and platinum. It should be observed, however, that the British Empire itself is an important if not the major supplier of tin, rubber, wool, iron ore, manganese, and even graphite, to Japan. For example, the British, while making supplies of rubber available to Japan, wish us to withhold supplies of carbon black which Japan might use to convert this rubber into truck tires for military purposes. Furthermore, the British Empire supplies iron ore and manganese to Japan but urges that the United States restrict the cobalt used to convert these materials into high grade tool steels.

The British have of course restricted the exportation of most war materials to Japan. This restriction, however, seems to be related far more to the supply situation in Great Britain than to Japanese strategic considerations. In effect this country is already doing the same thing since it is quite easy to prohibit the exportation of any material on the grounds that it is required for the exporting nation's defense effort. Great Britain, however, wishes the United States to go beyond this point in a line which the British themselves have not followed in all cases. There is little evidence that the British have prohibited the exportation of any strategic material, with the possible exception of copper, where Empire supplies are adequate for military needs.

The foregoing is not intended to imply that cooperation with the British in reducing the supply of strategic materials to Japan is undesirable. On the contrary, our own national self-interest would make

⁷⁹ Assistant Secretary of State Grady on November 19 added a notation as follows: "I feel that our reply to the British should indicate sympathy with the objectives and a desire to cooperate to the extent that it is practical."

⁸⁰ Of conversations between Department and British Embassy officers, most of them not printed.

the restriction of strategic material exports to Japan or the Axis a desirable objective. Such action, however, should be related to that self-interest rather than relatively blind cooperation with the attendant political risks and economic dislocations. This might involve a reinterpretation of what constitutes "measures short of war" to include within the scope of the latter a comprehensive Anglo-American plan for the control of world supplies of all strategic materials. Such a plan would of necessity take into consideration the different economic structures of the United States and the British Empire and the long term interests of both countries rather than the immediate exigencies of the British war effort.

As a step towards the consideration of any such arrangement the full exchange of information between the United States and the British as to controls is desirable. In addition steps might advantageously be taken to reexamine the entire question of world supplies of essential war materials with reference to the economic and strategic position of the United States and the British Empire on the one hand and the Axis and Japan on the other. In this connection it is also essential that consideration be given to alternative sources of supply in world areas not under British or American control.

694.1115/32

*The Adviser on International Economic Affairs (Feis) to the
Financial Counselor of the British Embassy (Stofford)*

[WASHINGTON,] November 26, 1940.

MY DEAR MR. STOFFORD: Thank you for your letter of November 11, 1940 enclosing a copy of the message from London regarding the financing of Japanese trade.⁸²

With reference to the attitude of this Government in respect of the financing of American trade with Japan, the Department of Commerce, as your Government is doubtless aware, on June 6, 1938 advised exporters to have a confirmed, irrevocable letter of credit in their hands before accepting orders for shipments to Japan. Moreover, in the light of the fact that Japanese military activities in China have resulted and are continuing to result in serious injury to American rights and interests, it has been the hope of this Government that American financial institutions and American sellers of commodities would, on their own initiative and taking into account the credit risk involved, not take any action which would facilitate, either directly or indirectly, Japanese activities. This Government

⁸² Neither printed; the enclosure gave information on stopping credit for Japan in the United Kingdom. See footnote 6, p. 159.

regards the extension of credit to Japan as coming within that category of action, and accordingly this Government, when inquiry has been made of it, has endeavored to discourage the extension of credit to Japan or for the use of Japan in China.

So far as the Department is aware, there have been no substantial deviations by American financial institutions and American sellers of commodities from the policy desired by the Department. To the extent that the Department has had notice of the matter, credits which American banks have extended would appear to have been fully secured, short-term commercial credits, or credits to the agencies of Japanese banks in this country, secured by collateral which these agencies have supplied.

Sincerely yours,

HERBERT FEIS

811.20 (D) Regulations/891

*The Japanese Embassy to the Department of State*⁸³

The Japanese Embassy has the honor to refer to its memorandum under date of November 19, 1940,⁸⁴ with regard to the question of export licenses for machine tools, and to state that it has come to the notice of the Japanese Embassy that under date of November 25 [27], 1940, the letter of the Department of State to all Collectors of Customs in the country⁸⁵ advised them that "tool and cutter grinders, universal and plain, hand feed", together with certain other types of machine tools, should also require a license for exportation on and after the 11th of December, 1940.

The Japanese Embassy had occasion in the memorandum cited above to call the attention of the Department of State to the fact that these machine tools were given as not requiring export licenses in the letter dated July 27, 1940 from the Administrator of Export Control to the Collectors of all Customs Houses in the United States.⁸⁵ Meanwhile, it had been noted from a press report dated August 17, 1940 that the Department of State and the Bureau of Customs had issued a list of interpretations which advised the customs authorities that no license would be required, until further notice, for these types of machine tools.

From the preceding, the Japanese Embassy infers that the "tool and cutter grinders, universal and plain, hand feed,"—the exact types

⁸³ Handed to the Assistant Secretary of State by the Counselor of the Japanese Embassy during a conversation on November 30; for memorandum of conversation, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 230.

⁸⁴ Not printed, but see memorandum by the Assistant Secretary of State, November 19, *ibid.*, p. 229.

⁸⁵ Not printed.

of machine tools cited in Section III of the above mentioned memorandum—are not subject to the requirements of the export licensing system until the deadline of December 11, 1940 is reached.

In view of the circumstances, the Embassy deems itself entitled to request the Department of State to give due consideration to the Embassy's desire contained in Section III of said memorandum and be good enough to advise all Collectors of Customs in the United States to permit exportation of any of the aforesaid machine tools without license, and not to withhold any longer the shipment of such, "if it shall have been laden on board the vessel on which it is to be exported prior to midnight ending the day of December 10, 1940."

[WASHINGTON,] November 30, 1940.

894.24/1226

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] December 3, 1940.

The Minister of Australia called at his request. He handed me a statement (copy attached)⁸⁶ concerning an embargo imposed by his Government upon exports of steel and scrap iron to Japan and countries other than the British Empire for the purpose of conservation.

The Minister said he felt that the recent conferences among naval officials had been of real value both to us and to his country. There were, of course, no commitments of any kind either way, but there was a rather full exchange of information and ideas, both present and prospective, about the situation.

The Minister then inquired whether we had been giving further consideration to sending some naval vessels to his country, and possibly to Singapore. I replied that our first steps in dealing further with the Japanese situation included a recent loan of \$100,000,000 to China,⁸⁷ the sending of a number of vessels, including submarines and tenders, and some airplanes to the Philippines. I added that there was a prospective embargo on finished classes of iron and steel, on a quota basis, with Great Britain and the Western Hemisphere excepted. I concluded by saying that until these steps had been completed, and we were then able to see and appraise the situation, I could not undertake to go into his inquiry. The Minister seemed to understand and to acquiesce cheerfully.

C[ORDELL] H[ULL]

⁸⁶ Not printed.

⁸⁷ See President Roosevelt's statement of November 30, Department of State *Bulletin*, December 7, 1940, p. 521.

811.20 (D) Regulations/1008

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] December 4, 1940.

Mr. G. F. Thorold, First Secretary of the British Embassy, and Mr. A. D. Marris, First Secretary of the British Embassy, called at my office this morning. Mr. Marris referred to our conversation on November 18, 1940,^{87a} and previous conversations in regard to the policies followed by the British and American Governments in regard to the control of exports. He said that the Embassy had now received definite instructions to take up with the Department the question of possible coordination of these policies, particularly with respect to exports to Japan.

I replied that the Embassy was in a position to inform London that the matter of control of exports was already being discussed between the Embassy and the Department.

Mr. Marris assented but added that the Embassy's instructions envisaged formal taking up of the matter with a view to a formal agreement. There was, nevertheless, enough latitude in the instructions to enable the Embassy to continue for the time being our informal conversations and to postpone perhaps indefinitely any formal approach to the Department in regard to the matter. Mr. Marris said that, in view of what I had told him the Embassy was convinced that for the time being at least informal discussion was the proper means of dealing with this matter. He stated, however, that he hoped that there would [be] some tangible results flowing from our conversations, in order that his Government might be satisfied that no formal approach with a view to a formal agreement was necessary.

I said that I considered it extremely unlikely that this Government would be prepared even to consider entering a formal agreement to coordinate British and American export controls at this time. I added that modification and extensions of our export control system were being carefully considered, and that I thought that some decisions would be reached in the near future which would be pleasing to his Government. I pointed out that in view of the situation in the Far East so many political questions of the highest importance were involved in the control of exports to Japan that careful consideration and deliberate action in this field were to be expected. I suggested that he prepare a brief informal memorandum⁸⁸ listing under one heading those further measures in the control of exports which his Government was particularly anxious to see adopted by this Govern-

^{87a} Memorandum of conversation not printed.

⁸⁸ Such a memorandum was submitted on December 11; not printed.

ment in the immediate future and under another heading those measures which his Government hoped that this Government would consider with a view to possible action later on. I added that I thought that he had given me all this information in our recent conversations but that such a memorandum would serve to crystallize what he had already told me.

Mr. Marris said that he would follow this suggestion.

JOSEPH C. GREEN

811.20 (D) Regulations/869b: Telegram

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

WASHINGTON, December 10, 1940—6 p. m.

531. The Radio Bulletin of December 10 carries information in regard to a proclamation signed by the President⁸⁹ placing under license exportation from the United States of iron and steel as defined in an Executive Order issued on that day;⁹⁰ also the text of an announcement made by the White House on this subject.⁹¹ The action taken is described accurately in the text of the official announcements here and it is suggested that, if inquiries are made of you, you so state, emphasizing that the action taken rests upon the national defense requirements of the United States and that licenses for exports to destinations other than the British Empire and the Western Hemisphere will be granted for the present and in so far as the interests of national defense permit in amounts approximating usual or pre-war exports.

HULL

811.20 (D) Regulations/963

Memorandum of Conversation, by the Assistant Secretary of State (Berle)

[WASHINGTON,] December 28, 1940.

The Japanese Chargé⁹² came in to see me at his request. The conversation, as will be seen, took a wide range.

He took as his text the problem of machine tools, pointing out, however, that he did not come to discuss the cases as specifically as he had done before, but to make some general observations. He referred

⁸⁹ Dated December 10, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 232.

⁹⁰ No. 8607; *ibid.*, p. 233.

⁹¹ See press release issued by the Department of State, *ibid.*, p. 232.

⁹² Morito Morishima.

to our recent note⁹³ which, in the view of his Government, did not meet any of their fundamental points. He observed that a number of classes of machine tools had been denied exportation, although the regulations did not include them as subject to license. On November 25th [27th] instructions had been issued to the Collectors of Customs which were perfectly clear. They permitted the exportation of any machine tools loaded prior to December 10. Japanese exporters of these tools had made strenuous endeavors to load these tools prior to that date; but not a single shipment had got out. In one case, the manufacturer had declined to load them because it meant night work, and had given as an excuse the fact that night loading was not permitted by local ordinance. In other cases licenses had been requested for categories not covered by the regulations. In general, he considered that the operation of the export control had been such as to make impossible the shipment of any of these machine tools irrespective of the strict legal situation.

He observed that this situation violated the precise contentions which the United States had consistently set up in dealing with Japan. We had asserted in our note that the measures taken were those of national defense. This was precisely what the Japanese Government had pointed out when we complained of restrictions in China, yet we had declined to accept that contention.

We had insisted upon equal treatment for American merchants, yet the Japanese Government was constrained to believe that there was no desire to grant equal treatment to the Japanese. In this respect Mr. Morishima observed that Japanese exporters who had been unable to export machine tools had been forced to sell them back to the manufacturers; that he had information indicating that some of these tools were subsequently sold to the Soviet Government, which thereupon was able to obtain export licenses for them.

As a third point, he stated that the United States had contended that the Japanese were closing markets to American merchants in China; yet the effect of our Export Control Administration was doing precisely the same thing in the United States.

Fourth, he noted that we had protested against regulation by military authorities in China, and had insisted that the Government in Tokyo must be responsible. Yet in our note we had pointed out that the operation of the export control license machinery was solely in the hands of the Administrator of Export Control—associated with the defense commission—that is, that we were insisting upon the power of our defense authority to do exactly what the Japanese military authorities had done in China.

⁹³ Dated December 17, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 235.

He observed that Japan was endeavoring to settle the outstanding grievances of this kind with Americans. He recognized that there was a "fundamental question" which remained open and apparently was not susceptible of settlement at this time. But the individual questions of trade, etc. were on the way to settlement as a result of Ambassador Grew's talks with the Foreign Minister. The chief of the American Division of the Japanese Foreign Office, Mr. Teresaki, was being sent to China to try to clear up the problem. Admiral Nomura⁹⁴ prior to coming here had gone to China to visit Peiping, Shanghai and other places, so that he could consult and know the situation on the ground. He pointed out that while they were endeavoring to solve these questions, we apparently were making greater difficulties here.

He expressed the hope that something could be done about some of these things, but his main purpose was to lodge a protest. The exporters who had bought machine tools and found themselves without licenses in most instances had found that the goods could not be resold and were not wanted at all. They felt that they were entitled to compensation of some sort.

I took note of what he said and observed that since he had been frank in his statements, I thought it might serve some purpose if we were equally frank.

I said that we had never abandoned the American hope for unrestricted trade and respect for the rights and interests of other countries. We did consider our national defense as paramount. In this connection, I said it was not unnatural that the Defense Commission and the Export Control authorities should take note of the apparent state of affairs prevailing between the two countries. There had been talk of war in the Japanese press, and officials had echoed statements of this kind. We had been forced to take this seriously to the point of withdrawing as many of our nationals as we could from the area of possible trouble.⁹⁵ It would be normal to expect, in view of this situation, the most careful scrutiny of Japanese orders. Should hostilities break out between the two countries—a contingency which every right-minded person hopes will never occur—plainly a greater degree of care would be involved. In this respect, I said, the Chargé would permit me to observe, that we had reason to believe that much of this talk was stimulated by a third nation, Germany, which so far as we were able to see had very little interest in the welfare of Japan, or in the welfare of the United States.

⁹⁴ Adm. Kichisaburo Nomura, appointed Japanese Ambassador in the United States.

⁹⁵ See pp. 930 ff.

With reference to the rule of equal treatment, I observed that we stood for and continued to stand for the rule of equal treatment—always subject to the paramount right of a country to its national defense. The Chargé had mentioned the fact that other countries might receive different treatment. I was not informed as to any treatment received by the Soviet Government, but I would look into the facts. My impression was that some 57 percent of the Japanese export licenses had been granted.

Mr. Morishima said he had understood that some 75 percent of the Russian licenses had been granted. I said that he could be assured that we were not endeavoring to operate the license control so as [to] favor Japan against Russia or Russia against Japan in a tense situation.

Mr. Morishima observed that machine tools were going forward to England.

I said that in the pursuit of our national defense we had reached the conclusion that the successful defense of England was essential to our own safety. This fact necessarily entered into arrangements which were made. The dominant motive in this case was not to discriminate against any country, but to protect the obvious interests and safety of the United States.

As to his third point—that Japanese were being thrown out of American markets, as we complained that Americans were being thrown out of Japanese markets—I said that I could not accept the contention. The license control had been imposed on certain materials involved in national defense. The great bulk of the Japanese merchants and business remained intact. There was no similarity between the two cases. I myself had spent considerable time in endeavoring, when the commercial treaty was abrogated, to assure that the result of it would not be the immediate penalization of Japanese merchants here; and that there could be no similarity to the occasional license restrictions here imposed and the detailed interference with American business in China, running all the way to refusal to permit passage of a man from his home to his business to denial of permission to transport his necessary goods.

I said that I wished to consider further the plight of the Japanese exporters who had machine tools which could not be exported and likewise could not be sold.

I said that I shared with the Chargé the hope that these vexatious questions could be settled, though obviously they could not be wholly disconnected from what he had rightly called the "fundamental question". As to that I thought Secretary Hull had made the American position abundantly plain. He hoped for a time when mere force politics would not dominate the scene with the attendant diplomatic

marching and counter-marching; when commerce could run free of restrictions, and finance could be cooperative, and when the various peoples could attend to their chief business, which was providing an orderly and prosperous peaceable life.

The Chargé took occasion to say that Admiral Nomura would probably leave Japan on January 23; that he would probably arrive in San Francisco on or about February 8, and that by the middle of February he would be in Washington.

I said that we should be glad to see him.

Mr. Morishima appeared under considerable stress throughout the conversation, though he was, as always, friendly and considerate in his attitude. I surmised that he had had a fairly stiff cable from Tokyo.

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

811.20 (D) Regulations/1048

Memorandum Prepared in the Office of the Secretary of State

[WASHINGTON,] December 31, 1940.

Colonel Maxwell, Administrator of Export Control, has informed the Department that he is being urged by both the Army and Navy Munitions Board and the Advisory Commission to the Council of National Defense to take steps with the least possible delay to have a proclamation prepared to add the materials listed below to those now subject to the export license system.

Copper	Zinc
Brass	Nickel
Bronze	Potash

The Colonel states that reports which he has received convinced him that it is absolutely essential to the carrying out of our defense program that the exportation of these materials be restricted and existing supplies conserved and augmented.

The proposed restrictions on the exportation of copper, brass, bronze, and zinc would cover many manufactured articles as well as the raw materials. The proposed restrictions on the exportation of nickel would be designed particularly to prevent the exportation of nickel scrap. At the present time, we are importing nickel from Canada for our own needs on the understanding that it will not be ex-

ported, but, in spite of this understanding, nickel scrap is finding its way to Japan. The restrictions on the export of potash would be made applicable only to the higher grades of potash salts.

Under the arrangements between the Department and the Administrator of Export Control, the directives according to which licenses are issued or applications for licenses rejected are formulated in accordance with the views of the Department when considerations of our foreign relations are involved. The Administrator has stated that, unless the Department, for reasons of foreign policy, desires that directives for the issuance of licenses authorizing the exportation of the materials listed above be otherwise formulated, he will propose that:

(1) Licenses for the exportation of copper, brass, bronze, zinc, and nickel be granted freely for shipments to the British Empire, that licenses be issued authorizing the exportation of very limited quantities to the other American republics, and that no licenses be issued authorizing shipments to other destinations unless in some particular case the Department desires that an exception be made.

(2) Licenses for the exportation of potash be granted freely for shipments to the British Empire and that licenses be granted authorizing shipments in usual prewar quantities to other destinations.

If it is found to be desirable to make some exception in respect to the exportation of the large quantities of copper which are brought to this country from South America, refined here, and then exported to Japan, arrangements will be made to authorize the issuance of the necessary export licenses.⁹⁶

TERMINATION OF THE 1911 TREATY OF COMMERCE AND NAVIGATION BETWEEN THE UNITED STATES AND JAPAN; DISCUSSION OF SITUATION IN TREATYLESS PERIOD⁹⁷

711.942/454 : Telegram

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

WASHINGTON, January 8, 1940—6 p. m.

12. 1. The *New York Times* of January 7 carries an item under Washington date line January 6 in which there occur *inter alia*, statements as follows: "Means of arriving at a *modus vivendi* under

⁹⁶ This memorandum was submitted to President Roosevelt who returned it to the Secretary of State with the notation: "C. H. OK F. D. R." For the President's proclamation No. 2453, January 10, 1941, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 238.

⁹⁷ See also *Foreign Relations, 1939*, vol. III, pp. 558 ff., and *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 189 ff.

which Japan would receive most-favored-nation treatment by the United States when the joint trade treaty⁹⁸ denounced by this country⁹⁹ expires January 26 were discussed today at the State Department by Secretary of State Cordell Hull and the Japanese Ambassador."¹ "That such an arrangement would be reached to allow more time for negotiations . . .² in Tokyo and conversations in Washington was regarded as almost certain."

The *New York Herald-Tribune* of January 8 carries a United Press despatch under Tokyo date line January 7 in which it is stated that, according to the Japanese press, the Japanese Minister for Foreign Affairs³ intends to invite you to visit him this week to continue the discussion of Japanese-American trade relations; and that the Japanese Minister for Foreign Affairs "would press for a formal opening of trade negotiations, in the hope of concluding at least a temporary agreement to replace the commercial treaty of 1911."

2. We cannot but regard these press stories to the effect that the conclusion of a *modus vivendi* is probable as inspired by the Japanese Government. We consider unfortunate the publication of such stories as they are calculated to give rise to unwarranted expectations.

3. In case the Japanese Minister for Foreign Affairs asks you to call and brings up again the subject of treaty relations between the United States and Japan, including the question of concluding a *modus vivendi*, the Department suggests that you refer to these press stories and say that we deplore them as likely to give rise to unwarranted expectations. The Department suggests that you refer also to the statement which you gave the Minister for Foreign Affairs on December 22,⁴ especially the statements contained in paragraph numbered 6 (see Department's 402, December 18, 2 p. m.⁵), and say that we are awaiting "evidence of the steps which the Japanese Government is taking toward giving practical effect to its attitude." Please indicate again that in existing circumstances we prefer to leave open the question of concluding a *modus vivendi* and that we consider that we should await developments.

HULL

⁹⁸ Treaty of Commerce and Navigation, signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315.

⁹⁹ See note from the Secretary of State to the Japanese Ambassador, July 26, 1939, *ibid.*, 1939, vol. III, p. 553.

¹ Kensuke Horinouchi.

² Omission indicated in the original telegram.

³ Adm. Kichisaburo Nomura.

⁴ See telegram No. 699, December 22, 1939, 9 p. m., from the Ambassador in Japan, *Foreign Relations*, 1939, vol. III, p. 627.

⁵ *Foreign Relations*, Japan, 1931-1941, vol. II, p. 190.

711.942/472 : Telegram

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

WASHINGTON, January 16, 1940—6 p. m.

21. In reply to your 22, January 16, 5 p. m.,⁶ there is quoted below the pertinent extract from radio bulletin no. 12, January 15, in reference to my January 15 press conference :

“A correspondent referred to press reports from Tokyo to the effect that Japan had submitted to this Government proposals for a trade arrangement to follow the termination on January 26 of the Japanese-American commercial treaty of 1911. In reply, the Secretary said that he believed he had told the correspondents previously that for some time all the matters in which the two governments were interested had been under discussion between Ambassador Grew and the Japanese Foreign Office. The Secretary said that this included the commercial treaty situation as well as other matters, and that there were no such developments at this time as would enable him to give the correspondents anything especially new on the subject.”

No further statement was made concerning relations with Japan, and the Department has no knowledge of the basis of the Domei report.

HULL

711.942/476 : Telegram

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

TOKYO, January 18, 1940—4 p. m.
[Received January 18—6:54 a. m.]

28. The Foreign Ambassadors were received individually by the Minister for Foreign Affairs⁷ today merely to pay their respects. Arita said that he desired to carry on with me the conversations begun by his predecessor and would set a date in due course. He said that he had instructed the Japanese Ambassador in Washington to call on you and to endeavor to arrange for a continuation of the present status of “treaty merchants” after the treaty of 1911 expires. A change in their status, he said, would injure both countries.

GREW

⁶ Not printed; it reported Domei despatch as saying, among other things, that the Secretary of State had admitted in a press interview January 15 that discussions to negotiate a new commercial treaty with Japan were being carried on in Tokyo by the Foreign Office and the American Embassy.

⁷ Hachiro Arita.

711.942/404a : Telegram

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

WASHINGTON, January 19, 1940—7 p. m.

26. For your information, Morishima,⁸ accompanied by Kase,⁹ called late this afternoon on Hornbeck,¹⁰ accompanied by Ballantine.¹¹ Morishima stated that the Ambassador was ill and, referring to the last conversation between the Ambassador and the Secretary,¹² asked whether the situation had changed. Hornbeck replied that so far as he knew the situation had not changed. Morishima, saying that he was acting under instruction from his Government, urged that arrangements be made to take care of commercial relations at the expiration of the treaty. Hornbeck said that the Secretary had stated to the Japanese Ambassador that this Government preferred to hold that question in suspense. Morishima presented two drafts, one making provision regarding import duties and one making provision regarding persons. Hornbeck repeated that the Secretary had expressed preference that this matter be held in suspense and had stated that it was his desire that conversations regarding Japanese-American relations be held in Tokyo. Hornbeck said that he would report on these matters to the Secretary.

HULL

711.942/484 : Telegram

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

TOKYO, January 20, 1940—11 a. m.
[Received January 20—2: 15 a. m.]

32. 1. According to the press, an Imperial ordinance providing for most-favored-nation treatment for American goods after the expiration of the treaty will be issued on January 24, 1940 in response, it is said, to the recent American decision not to impose for the time being discriminating duties upon Japanese goods,¹³ thereby providing for the continuance of friendly commercial relations between Japan and the United States despite the lapse of the treaty. As the United States has given no indication of its position in regard to the question of right of residence, this matter will be dealt with administratively rather than by regulation, it is declared.

⁸ Morito Morishima, Counselor of the Japanese Embassy.

⁹ Shunichi Kase, First Secretary of the Japanese Embassy.

¹⁰ Stanley K. Hornbeck, Adviser on Political Relations.

¹¹ Joseph W. Ballantine, Assistant Chief of the Division of Far Eastern Affairs.

¹² See memorandum by the Secretary of State, January 6, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 204.

¹³ See press release No. 19-75 issued by the Treasury Department, December 22, 1939, *ibid.*, p. 195.

2. The Foreign Office stated to us, in the course of an informal conversation last week, that the Japanese customs and shipping laws were being examined with a view to extending most-favored-nation treatment to American goods and shipping after the termination of the Treaty of Commerce and Navigation. The conclusion reached was that the Japanese customs law and shipping laws do not provide for any discriminatory duties or fees and that therefore all that could be done was to assure the extension to the United States of the benefits of low tariff conventions. The tariff conventions above referred to are those concluded with France, Italy and Indo-China. The only important items of imports from the United States which will be affected by the forthcoming ordinance and will therefore continue to enjoy the lower conventional duty are automobiles and parts thereof.

3. The Foreign Office also stated that the regulations with regard to the entry and residence of aliens will be enforced in respect of American citizens in a manner corresponding precisely with the regulations enforced by the United States in respect of the entry and residence of Japanese.

GREW

711.942/501b : Telegram

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

WASHINGTON, January 23, 1940—6 p. m.

33. Department's 32, January 23, 4 p. m.¹⁴ The Japanese Ambassador in his conversation this afternoon with Mr. Berle,¹⁵ after referring to his Government's concern over the state of affairs which might follow expiration of the treaty of commerce and navigation on January 26 and to the fact there had been an interruption in the conversations at Tokyo due to a change of cabinet, stated that the Japanese Government had made provision through Imperial Ordinance that there would be no change in duties levied in Japan upon American imports and in the status of American businessmen residing in Japan. The Ambassador then propounded three questions, an account of which and of Mr. Berle's replies thereto are given in a separate telegram.¹⁶

With reference to the draft exchanges of notes presented by Mr. Morishima to Mr. Hornbeck on January 19¹⁷ Mr. Berle informed

¹⁴ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 196.

¹⁵ Adolf A. Berle, Jr., Assistant Secretary of State.

¹⁶ See telegram No. 34, January 25, 6 p.m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 198.

¹⁷ Drafts not printed; see telegram No. 26, January 19, 7 p. m., to the Ambassador in Japan, p. 628.

the Ambassador that the Department was examining the drafts but was of the opinion that it would be advisable to leave open for the time being the question of entering into arrangements of the nature which were contemplated in the drafts. Mr. Berle pointed out that there were involved in the drafts legal and other questions which would require considerable study; that in the opinion of the Department greater advantage would be likely to flow from leaving these matters to be taken up in their logical relationship and sequence to the larger subjects under discussion in the conversations which have been going on for some time between the American Embassy and the Foreign Office at Tokyo; and that those conversations appear to the Department to offer the most practical means at the present stage for exploring the avenues of adjusting relations between the United States and Japan. Mr. Berle referred to the statement given on December 22, 1939, by you to the Minister for Foreign Affairs,¹⁸ setting forth the position of this Government in regard to the question of entering upon the negotiation of a commercial treaty or agreement to replace the 1911 treaty of commerce and navigation, and stated that the Department believes that when substantial progress is made in discussion of the more fundamental questions to which attention was called in that statement and which were being considered in the conversations mentioned it should be easier to deal with specific and detailed matters such as those which were put forward in the drafts under reference.

The Ambassador then suggested that there might be drawn up memoranda which might be initialed by himself and the Secretary. Mr. Berle pointed out that such a procedure would be unusual in a situation in which no agreement had been made and that even the announcement in regard to treaty merchants was a unilateral announcement by this Government, and expressed the view that he saw no reason for exchanging an initialed minute but would be glad to see whether there appeared to be any occasion for one.

HULL

150.949/88

The Secretary of State to the Japanese Ambassador (Horinouchi)

The Secretary of State presents his compliments to His Excellency the Japanese Ambassador and has the honor to refer to the Ambassador's note no. 12 of January 17, 1940¹⁹ concerning the reentry

¹⁸ For statement, see telegram No. 402, December 18, 1939, 2 p. m., to the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 190; see also the Ambassador's telegram No. 699, December 22, 1939, 9 p. m., *Foreign Relations, 1939*, vol. III, p. 627.

¹⁹ Not printed.

into the United States of Japanese nationals who may proceed to Canada on visits extending beyond the date of termination of the treaty of commerce and navigation between the United States and Japan.

The permits requested of Japanese nationals by the Canadian authorities presumably are intended to serve as evidence that the bearers will be permitted to reenter the United States. Japanese nationals who have been residing in the United States under the provisions of the treaty of 1911, and who return to the United States after the termination of the treaty, will be obliged to obtain visas as temporary visitors and to qualify for admission as visitors for business or pleasure. Their admissibility into the United States can only be determined on the basis of all of the circumstances surrounding their cases at the time of their application for reentry, and for this reason the authorities of the American Government are unable to issue any permit or other documentation guaranteeing the reentry of a Japanese national or any other alien at some future date.

The appropriate branches of the Government have decided that Japanese merchants now in this country under treaty provisions need not, upon termination of the treaty, take any action toward changing their status as residents of the United States and that the administrative authorities of this Government will for the time being take no action in this matter provided there is no violation of the terms of admission of such Japanese merchants under the provisions of Section 3(6) of the Immigration Act of 1924, as amended.²⁰ In the absence of a treaty of commerce between the United States and Japan, the applications of Japanese nationals who wish to enter the United States temporarily for business or pleasure will be considered in the light of existing laws and regulations applicable to visas for the entry of temporary visitors. Japanese nationals now residing in the United States under the provisions of the commercial treaty, and who proceed abroad temporarily, will also be subject to the provisions of the immigration laws and regulations relating to temporary visitors.

It may be mentioned that the existing law and regulations applicable to the admission into the United States of temporary visitors preclude the classification of any person as a temporary visitor who intends to remain indefinitely or for a long period of time in the United States.

WASHINGTON, January 24, 1940.

²⁰ Approved May 26, 1924; 43 Stat. 153.

711.942/544 : Telegram

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

Tokyo, February 2, 1940—6 p. m.

[Received February 2—8:40 a. m.]

73. In reply to interpellations in the Diet yesterday regarding the status of treaty negotiations between Japan and the United States, the Foreign Minister is reported to have stated *inter alia* as follows:

"There has been some misunderstanding among foreign countries in regard to the intimate relations between Japan, Manchukuo and China in the economic field, relations closer in the same field than those with foreign countries. . . .²² It hardly needs to be explained that establishment of particularly close economic relations between these three countries does not mean the ousting of the economic activities of foreign countries. Not only that, but we believe that there still remain tremendously broad fields of economic expanses for foreign countries. In China, however, foreign rights and interests have been affected in various ways by military operations. These various effects which have resulted because of strategical considerations have been confused with Japan's policy in regard to the new order in East Asia. For example, when the Japanese Government explains the economic relations obtaining between Japan, Manchukuo, and China to foreign countries, these countries claim that what actually takes place is not in accordance with this Government's declarations. While we must continue to explain Japan's policy to foreign countries, we must also endeavor promptly to solve various problems in China as strategical demands relax and other conditions permit . . .²² So long as the United States does not understand fully Japan's true intentions with respect to the new order, the conclusion of a new treaty would appear to be difficult. Therefore, while our every effort [is made?] to obtain the understanding of the United States to the end that a new treaty is concluded, I think this will be a matter of time. As stated by Mr. Ogawa, the treatyless situation will cause considerable uneasiness. However, I think that its aggravation can be avoided if the American and Japanese Governments give some consideration to the matter. In this connection it is of the utmost importance that Japan as well as the United States deal with this uneasy situation calmly and circumspectly . . ."²²

By air mail to Shanghai and Peiping. Shanghai please repeat to Chungking naval radio.

GREW

²² Omission indicated in the original telegram.

711.942/583 : Telegram

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

Tokyo, March 11, 1940—6 p. m.
 [Received March 11—8:50 a. m.]

165. The Foreign Office spokesman queried at his regular press conference with the foreign correspondents this morning in regard to the possibility of negotiations between the Foreign Minister and myself stated, according to the press, that he did not expect negotiations to be taken up at any early date and added that Japan had done about all there was to do to ease the situation, mainly through its diplomatic representative at Washington, and that Japan now felt that it was time that the United States reciprocated Japan's efforts toward this end.

Questioned as to whether Japan was satisfied with the situation obtaining in Japanese-American trade relations, the spokesman said that Japan naturally desired a normal state of relations between the two countries and that uncertainties attending the absence of a definite agreement were not the best of conditions for promoting friendship. He added that trade on definite and legal bases was always the best, so that there was no question of Japan being satisfied with the present. By way of elaboration, the spokesman declared that Japan was sparing no efforts to protect the life and property of American nationals in China, so that, if this were the only problem in Japanese-American relations, there would be no difficulty in straightening it out. However, he said, if the United States is bent upon branding Japan as an aggressor and interfering with the affairs of East Asia, Japan would be roused to righteous indignation.

Asked by a correspondent whether Japan expected the United States to take the initiative in breaking the deadlock in the relations between the two countries, the spokesman is reported to have replied, "not the initiative but rather some definite gesture indicating American desire to improve relations with Japan."

By air mail to Shanghai and Peiping.

GREW

711.942/584 : Telegram

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

Tokyo, March 12, 1940—4 p. m.
 [Received March 12—7:57 a. m.]

169. Our 165, March 11, 6 p. m.

1. Suma's²⁸ optimistic comment concerning Soviet-Japanese rela-

²⁸ Yakichiro Suma, Director of the Bureau of Information, Japanese Foreign Office.

tions given out in his conference with foreign press correspondents yesterday was banned from publication in Japan as is all comment on that subject. It was therefore obviously propaganda for foreign, especially American, consumption.

2. Local foreign correspondents interpret Suma's purpose to have been to influence the United States against apparently expected measures, such for instance as the calling of a conference of the Nine Power Treaty²⁴ powers or other forms of pressure, as a result of the intended early setting up of the Wang Ching-wei regime.²⁵

This appears to have been merely another instance of the use of possible Soviet-Japanese *rapprochement* as a bogey to intimidate the United States. I have in private expressed the opinion and shall take occasion to repeat that opinion in talking with Japanese that Suma's statement, especially considering the nature of its reported phraseology concerning American-Japanese relations, is likely to exert on American public opinion an effect precisely the reverse of that apparently desired and intended by Suma.

Cipher text by air mail Shanghai and Peiping and Chungking.

GREW

711.942/587 : Telegram

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

Tokyo, March 13, 1940—4 p. m.

[Received March 13—7:40 a. m.]

172. My 165, March 11, 6 p. m.

1. In endeavoring to evaluate Suma's tirade against the United States, I incline to the opinion that his anti-American utterances represent his own independent views and that they were not inspired by Arita whose desire, I have been directly informed, is to keep Japanese-American relations "quiet" at present. As in the case of former "spokesmen" of the Foreign Office, Suma exercises an independence of higher authority which is incomprehensible to those unfamiliar with the Japanese system, and while the world assumes that he is speaking for the Foreign Minister it is well known here that this is not true. Another case in point was Suma's public denunciation of the explanatory statement of the British Ambassador at the time of the incident of the *Asama Maru*²⁶ and more recently

²⁴ Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

²⁵ See pp. 251 ff.

²⁶ See British Cmd. 6166, Japan No. 1 (1940): *Correspondence between His Majesty's Government in the United Kingdom and the Japanese Government regarding the Removal of German Citizens from the Japanese Ship "Asama Maru"*.

Suma's statement concerning Japan's support of Italy. Experienced and substantial press correspondents here believe that Suma, like several of his predecessors, is purposely playing up to the army but they also regard him as intensely anti-American and they attribute his bias to some incident or situation which may have occurred during his tenure of office in Washington.²⁷

2. There will be found in our 173, March 13, 5 p. m.,²⁸ Arita's statements yesterday in the Diet on certain phases of American-Japanese relations. In our opinion the Foreign Minister's replies were in part purposely phrased to offset the effect of the recent remarks of the spokesman, at any rate the contrast in the tones respectively of Arita's replies and of Suma's irresponsibility is suggestive. In view of this I do not believe that there would be any advantage in formally protesting Suma's remarks. However, as already stated in a previous telegram, I shall take occasion freely to express in informal conversations my opinion of the harm caused to American-Japanese relations by such utterances.

GREW

711.942/621 : Telegram

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

WASHINGTON, August 29, 1940—8 p. m.

329. Your 756, August 27, 6 p. m.,²⁹ numbered paragraph 4, second sentence. The Department feels that on all occasions when it is convenient and practicable there should be interposed objection to statements that the United States Government "suddenly and without warning abrogated the commercial treaty of 1911." For many months before this Government gave notification, in accordance with express provision in the treaty for that procedure, of its desire that the treaty be terminated, it had been a matter of common knowledge and had been a topic of discussion in the press, that the taking of such a step was under consideration. The notification itself involved a 6 months' period before the termination would take place. We feel that neither the charge of suddenness nor the charge of absence of warning is warranted. We feel that certain spokesmen and certain press correspondents and publicists, seeking to dramatize such matters and to make it appear that Japan was the injured party, choose to describe the action as sudden and without warning. We feel that unless we make use of convenient opportunities to combat that description of it, something which is really a myth will attain the character of an

²⁷ As Counselor of Embassy.

²⁸ *Post*, p. 649.

²⁹ *Post*, p. 794.

assumed fact and pass for such and be used, as in this case, as an argumentative weapon in the hands of diplomatic adversaries and critics in general of our policies and operations.

Sent to Tokyo via Shanghai.

HULL

711.942/622 : Telegram

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

TOKYO, September 1, 1940—2 p. m.

[Received September 2—7:15 a. m.]

772. Department's 329, August 29, 8 p. m. In justice to Mr. Matsuoka³⁰ it should be emphasized that he had labeled his remarks as "off the record", as stated in my despatch, that he was therefore not attempting precise phraseology, and that from the context of his remarks it was clear that the "blow" to which he referred was not the actual abrogation of the commercial treaty of 1911 but our notification of intent to abrogate.

The facts and views presented by the Department will be carefully observed in future pertinent conversation.

Sent to the Department. Repeated to Chungking, Peiping and Tsingtao for Commander in Chief.

GREW

EFFORTS BY THE UNITED STATES TO PROVIDE FINANCIAL ASSISTANCE AND WAR MATERIAL FOR CHINA³¹

893.51/7021 : Telegram

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

CHUNGKING, January 3, 1940—3 p. m.

[Received 4:55 p. m.]

4. Department's 245, December 29, 7 p. m.³²

1. Message³³ and communication dated November 9 [10]³⁴ were both delivered January 2, 5 p. m.

2. Following is summary of informal conversation: contents of the two communications were translated by Hollington Tong.^{34a} Re-

³⁰ Yosuke Matsuoka, Japanese Minister for Foreign Affairs since July 22.

³¹ For previous correspondence, see *Foreign Relations*, 1939, vol. III, pp. 636 ff., and pp. 736 ff.

³² *Ibid.*, p. 720.

³³ President Roosevelt's answer (quoted in Department's telegram No. 245, *ibid.*, p. 720) to Generalissimo Chiang Kai-shek's telegram of December 19, 1939, *ibid.*, p. 717.

³⁴ President Roosevelt's answer (*ibid.*, p. 714) to Generalissimo Chiang Kai-shek's letter of July 20, 1939, *ibid.*, p. 687.

^{34a} Chinese Vice Minister of Information.

ipient listened at all times attentively and afterwards expressed his pleasure and asked that his thanks be conveyed to the sender. The Government is taking steps including anti-aircraft guns to protect Yunnan Railway. The Japanese are now concentrating their military effort in South China and he regards this as offering much more favorable opportunity for Chinese victory. He is confident Nanning will be retaken. He sees no sign of change in the Russian attitude of assistance to China. He expressed great desire to receive indications confirming or refuting report that has reached him that Great Britain and France are urging the United States to conclude new commercial treaty with Japan, their object being to save their Far Eastern possessions from possible threat. Likewise [he] thinks it possible that Japanese concentration in the south implies such threat. The only nation in whose unalterable attitude of assistance to China he believes is our own. He spoke of current negotiations for a new American loan and asked me to convey to the Secretary of State his hope of its early conclusion since he was confident that if this fact were announced the enemy would at once abandon Wang Ching-wei³⁵ schemes and also their military offensive. I consented to transmit message but made no comment since I knew nothing about the reported negotiations.

Repeated to Peiping.

PECK

893.51/7039

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

[WASHINGTON,] January 6, 1940.

The Chinese Ambassador³⁶ called on me and said that he had been instructed by his Government to inquire whether there was not something that the Department of State might do toward giving a push to the matter of a new credit or loan, associated with tin, by the United States to China. The Ambassador said that the details of a transaction for sale and purchase of tin have all been worked out in the Treasury Department, and that Mr. Morgenthau³⁷ favors going ahead with the matter; that the only present obstacle appears to be the problem of finding (here in Washington) the necessary funds; and that his Government evidently felt that the Department of State might, if

³⁵ Former deputy leader of the Kuomintang (Nationalist Party) at Chungking, at the time negotiating with Japanese representatives to set up a regime in occupied China.

³⁶ Hu Shih.

³⁷ Henry Morgenthau, Jr., Secretary of the Treasury.

it saw fit, contribute by pressing for the consummation of the transaction. I said that I would bring the matter to the attention of higher officers of the Department.

STANLEY K. HORNBECK

893.51/7030 : Telegram

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

CHUNGKING, January 10, 1940—1 p. m.

[Received January 10—6:10 a. m.]

20. Reference my 4, January 3, 3 p. m. The British Ambassador³⁸ yesterday stated to me that the Chinese through him are urging the British Government to grant financial credits to the Chinese Government and have informed him they are sanguine of obtaining 75,000,000 dollars additional American credits before the end of this month secured on tin and tungsten exports. Answering inquiry, I stated that the Embassy here had not been informed regarding negotiations in the United States for further credits or other assistance but that in regard to general attitude toward the hostilities the American Government adhered to its position as announced in times past. The Ambassador expressed such relief and pleasure at this statement that I inferred he was somewhat anxious about the position of his own Government. As the Department knows, he is personally very sympathetic with China's struggle against domination.

Repeated to Peiping.

PECK

893.6359 Wolfram Ore/72 : Telegram

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

CHUNGKING, January 29, 1940—9 a. m.

[Received January 29—4:53 a. m.]

51. Reference Department's mail instruction 176, September 12, 1939,³⁹ wolfram exports.

1. The person referred to⁴⁰ in line 9, page 1, of the Embassy's despatch No. 331, September 22, 1939,⁴¹ informed a member of the staff of the Embassy January 17 that Sino-Soviet relations continued satisfactory, but that some concern was felt by Chinese over the fact

³⁸ Sir Archibald J. K. Clark Kerr.

³⁹ *Foreign Relations*, 1939, vol. III, p. 710.

⁴⁰ T. F. Tsiang, Director of the Political Department of the Chinese Executive Yuan.

⁴¹ Not printed.

that the British and French were exerting pressure to have the Chinese limit shipments of wolfram to Russia to amounts which would preclude the possibility of reshipment of any to Germany; that Chinese had declined to comply with French request to make shipments to Russia on a "quota" basis; that Chinese preferred to ship to Russia since credits bring ten times the value of goods exported in the form of goods received in exchange whereas sales to French and British bring only the actual value of exports. It seemed likely that French and British would continue to insist on guarantee that no wolfram stocks exported from Indo-China and/or Hong Kong were destined ultimately for Germany, but informant seemed hopeful of a solution which would not affect barter trade with Soviets adversely.

2. It was learned from the British Embassy on January 26 that the British have proposed to the French and American Governments a plan whereby the three countries would purchase the entire production of wolfram.

Repeated to Peiping, Hong Kong, Shanghai. Hong Kong please inform Hanoi.

PECK

893.6359 Wolfram Ore/73: Telegram

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

CHUNGKING, February 5, 1940—5 p. m.

[Received February 5—3:26 p. m.]

64. My 51, January 29, 9 a. m. Wolfram exports. The French Ambassador ⁴² on February 4 informed me that it was he who originated the plan for monopolization of Chinese exportation by France, Great Britain and the United States. He said that figures reaching him showed that the amount that China desires to ship to Russia far exceeds its consumption and surplus would go to Germany. However, he seemed to feel that it was also very important to conserve for Great Britain and France during the war all available supplies of this important commodity. He said that he had heard that one object of the journey of Francis Pan ⁴³ to the United States was to obtain a large additional commercial credit utilizing as security not only tung oil but also wolfram, tin and antimony. I inferred anxiety on his part lest an undue proportion of China's natural resources be diverted to the United States. He remarked that Japanese military inroads and especially the reported capture of Ningpo rendered problematical the amount of wolfram obtainable. I observed that the American

⁴² Henri Cosme.

⁴³ Pan, Kuang-chiung (Francis K.), Director of the Chinese National Highway Transport Administration.

Embassy had no details of credit negotiations; that they came within the field of the Treasury Department and that arrangements between Export-Import Bank and the Universal Trading Corporation seemed to have the nature of a commercial contract.

Repeated to Peiping, Hong Kong, Shanghai; Hong Kong please instruct Hanoi.

PECK

893.5151/707 : Telegram

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

CHUNGKING, February 26, 1940—9 a. m.

[Received February 27—3 : 23 a. m.]

94. Following is supplied by a reliable informant.⁴⁴

1. Chinese currency still is in the ascendancy even in North China where it is currently bought at a premium over Federal Reserve notes in order to effect non-controlled import trade and purchase of export goods. This is possible only because the Chinese dollar is maintained at Shanghai and linked with Tientsin.

2. The shortage of foodstuffs in Hopei Province and Shanghai has grave financial consequences because the abnormal demand for food imports places a severe strain on the exchange and is a major factor in the adverse trade balance. Normally there is an adverse balance from March to July caused largely by food imports but this condition is greatly aggravated since 1937 by the grave North China crop shortage and by Japanese removal of larger amounts of rice from the Yangtze area to offset short crops in Japan. In 1939 imports of cereals and flour were United States dollars 67,000,000 compared with an average of United States dollars 17,000,000 in 1936-37. These financial consequences are additional to the prospective widespread starvation and much higher death rate from under-nourishment, and increased violence and riots which might afford a pretext for Japanese intervention in settlements and concessions.

3. It is not perceived how the present shortage could be financed by American credits to China for food purchase if obtainable. Presumably the Japanese would prevent use of proceeds of such credits by the Chinese Government in occupied areas. Assuming that neither China nor Japan could be obligors in such transactions, the only apparent way would be a gift of surplus American wheat and flour if practicable, analogous to relief extended to Russia some years ago by special act of Congress. Administration could be directed by organizations like the International Famine Relief Commission or the Red Cross.

⁴⁴ Identified as Arthur N. Young, American adviser to the Chinese Ministry of Finance.

The cereals could be used for free relief and for work relief in restoring future production of foodstuffs and to some extent could be sold at moderate prices to needy consumers, the proceeds of sales to cover overhead and expenses in Chinese currency but not foreign currency expenses.

4. The quantity required would have to be determined after investigations on the spot but should not have to exceed the 15,000,000 bushels which were adequate in 1931 for flood relief (most of the loan for which has been repaid) and might be less. Transportation company could employ American ships not able to trade with Europe.

5. The Japanese authorities might agree to such a scheme as it would save them from some consequences due to their acts. While incidentally helpful to Japan, the scheme would be even more beneficial to China not only on humanitarian grounds but by helping to support the currency and help China to hold out while Japan's situation deteriorates.

6. The plan is in harmony with the American tradition of persistently relieving suffering and should involve no political complications. Moreover it would show that the United States has the means to act effectively in this part of the world. There seems no other means to meet the great need existing as Japan will not or cannot act, China can do little and private contributions are insignificant. Apart from humanitarian motives, the plan would be a partial substitute for an American loan for currency support if such a comparison is necessary at present. As the need will be most acute in the next 4 or 5 months it is hoped that if action is feasible it can be expedited.

Sent to Department only.

PECK

711.93/435 : Telegram

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

TOKYO, February 27, 1940—5 p. m.
[Received February 27—7: 15 a. m.]

145. My British colleague⁴⁵ tells me that in conversation yesterday with the Vice Minister for Foreign Affairs, Tani said that the United States is aiding Chiang Kai-shek "in many different ways" and that the Japanese Government is greatly concerned. Craigie said that we had done nothing beyond granting a loan but Tani maintained that we are supporting Chiang in various other ways although he did not specify in what ways. Craigie says that Tani's concern appeared to be genuine and that he gave every indication of being "greatly upset".

GREW

⁴⁵ Sir Robert L. Craigie, British Ambassador in Japan.

893.515/1481 : Telegram

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

CHUNGKING, March 1, 1940—3 p. m.

[Received March 1—2:02 p. m.]

105. Following is Embassy's translation of Foreign Office note dated February 28:

"The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to observe that the strengthening of legal tender notes and stabilization of currency constitute an important policy during the course of armed resistance in pursuance of which the Chinese Ministry of Finance has repeatedly taken practical measures and to which the various friendly powers have rendered assistance. Armed resistance has now entered the third year and the Chinese Government naturally continues to push forward the strengthening of legal tender notes and stabilization of currency in accordance with the established policy. It is hoped that the diplomatic representatives of the various friendly powers, on the basis of their spirit of assistance as in the past, [will?] confidentially instruct the Consuls and banks of the respective nationalities in Shanghai to continue to help jointly in the matter. In the meantime, they shall strictly maintain their position and refuse to accept all kinds of bogus money and bogus notes, in order that legal tender notes may be further strengthened and the commercial interests of the various friendly powers may be safeguarded.

The Ministry has the honor to indite this third person note for the Embassy's information and action, and to request the favor of a reply."

Repeated to Peiping, Shanghai, Peiping mail reading to Tokyo.

JOHNSON

893.01/661 : Telegram

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

CHUNGKING, March 2, 1940—11 a. m.

[Received March 2—8:15 a. m.]

106. Embassy's 105, March 1, 3 p. m., from Chungking. Under date of February 29 the Minister of Finance wrote me as follows:

"Dear Mr. Ambassador: The Japanese Minister of Finance recently announced that the proposed new 'Central Government' would set up a new central bank of issue. Undoubtedly such an institution would be designed to control foreign trade and foreign exchange in the interest of Japan in areas where it might be able to operate, and to displace the lawful Chinese currency which affords a free market in which legitimate foreign trade may be conducted by Chinese and nationals of friendly powers. Creation of such an institution and issuance of still another kind of currency in areas subject to Japanese interference would further complicate conditions and cause serious detriment to

the rights and interests of nationals of friendly powers resident in and/or trading with China. The Chinese Government therefore earnestly hopes that the friendly foreign governments will oppose this scheme in whatever way they may deem most effective.

Similar representations are being made to the American, British and French Governments."

Repeated to Peiping, Shanghai; Peiping mail reading to Tokyo.

JOHNSON

893.51/7050

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

[WASHINGTON,] March 5, 1940.

Mr. Morishima, Counselor of the Japanese Embassy, called at his request, the appointment having been postponed from yesterday due to Mr. Morishima's indisposition with a cold.

After mentioning two other matters (covered by separate memoranda ⁴⁶), Mr. Morishima asked whether conversations were going on relating to the extension of a further credit by this Government to China. I replied that as Mr. Morishima had undoubtedly noted from press reports the Federal Loan Administrator, Mr. Jesse Jones, had informed various committees of Congress during the consideration by those committees of a bill to increase the funds available to the Export-Import Bank that conversations were in progress with representatives of the Chinese Government who wished to obtain additional credits. I said also that the last reference to this matter which I had noted was a statement by Mr. Jones several days ago when he announced that the Export-Import Bank had allocated funds for loans to Finland, Sweden and Norway, at which time Mr. Jones said that the Chinese Government wished to obtain additional funds. Mr. Morishima then said with a smile that he thought that his Government would wish to express to this Government the view that the extension of such a credit to the Chiang Kai-shek government would not be advisable or appropriate. I immediately informed Mr. Morishima that as he would have noted from press reports of the discussions in Congress of the bill providing additional funds for the Export-Import Bank, the function of the Export-Import Bank was to facilitate the carrying on of commercial relations between the United States and other countries; that if any third government should approach this Government in reference to the question of the Export-Import Bank's extending a credit to a particular foreign country, this Government would, in view of the fact that the Export-Import Bank functioned as an agency for the facilitation of American commerce,

⁴⁶ One not printed; for the other, see p. 505.

regard any approach by a third country as having no warrantable basis; and that this Government would therefore reject any such approach. Mr. Morishima remarked, again with a smile, that the Chiang Kai-shek government had become only a local régime. I replied emphatically that I was certain that Mr. Morishima and his Government would agree that it was a matter solely for the determination of the Government of the United States as to what government of China it should recognize; and that this Government recognized as the Government of China the National Government of the Republic of China.

At the outset of the conversation, Mr. Morishima said that he was calling on his own initiative and not under instruction from his Government. Toward the end of the conversation recorded above, I inquired whether I had understood Mr. Morishima correctly that he was not calling under instruction, and he repeated that he was calling on his own initiative and not under instruction.

M[AXWELL] M. H[AMILTON]

893.48/1867

*Memorandum by Mr. Joseph M. Jones of the Division of
Far Eastern Affairs* ⁴⁷

[Extracts]

[WASHINGTON,] March 6, 1940.

Reference Chungking's 94, February 26, 9 a. m., in regard to civilian relief and currency support in China.

A "reliable informant" in Chungking has suggested to the Embassy that the purchase and importation of cereals and flour into Shanghai and north China is a serious strain upon the exchange value of the Chinese currency (imports of cereals and flour into China were valued in 1939 at US\$67,000,000 compared with an average of US\$17,000,000 in 1936-1937, and imports are believed to be continuing in large volume this year) and that not only would this strain be somewhat eased but prospective starvation, undernourishment, riots and violence might be avoided if the United States should provide a gift of not exceeding 15,000,000 bushels of surplus American wheat for distribution in China.

Conclusions

Bearing in mind that, with the exception of certain flood areas in north China, crops in China are reported as normal or above normal;

⁴⁷ Initialed by the Chief of the Division (Hamilton). In telegram No. 38, March 16, 2 p. m., the Department informed the Ambassador in China that a copy of this memorandum was being sent to him by airmail (893.48/1839).

that neither the Embassy at Peiping nor the Consulate General at Tientsin has apparently considered the situation as sufficiently urgent to warrant suggesting to the Department the possible rendering at this time of assistance by the American Government; that there is now under consideration by the Chinese, Japanese, and British Governments utilization of 100,000 pounds sterling for flood-relief purposes in north China; that an American organization is at present prepared to expend \$160,000 for relief purposes if such expenditure is found to be practicable; that the Federal Surplus Commodities Corporation does not possess surplus wheat; that the Red Cross is not in position to provide funds for the purpose indicated; that the sending to China, as suggested, of 15,000,000 bushels of wheat would, in effect, provide but slight and inadequate support to the Chinese currency; that the areas in which relief need is acute are under Japanese military control and efforts to afford relief in such areas would present various difficult political considerations; and that, in view of the recent extension to China by the Export-Import Bank of a loan of \$20,000,000, further requests at this time for additional aid to China might be inopportune, it is suggested that, at least for the present, no action be taken with a view to implementing the suggestion outlined in Chungking's telegram no. 94, February 29, 9 a. m.

893.51/7119

*Memorandum of Conversations, by the Adviser on Political Relations
(Hornbeck)*⁴⁸

[WASHINGTON,] March 6, 1940.

Under instruction from the Secretary I called on the Secretary of the Treasury, by appointment, this afternoon. In receiving me, Mr. Morgenthau had present Mr. Cochran⁴⁹ of the Treasury Department. I stated that I had come to inquire, on behalf of the Secretary, whether and to what extent the Treasury Department had given thought to and made study of the question of possible use of the Stabilization Fund in connection with the situation in China. I said that we were neither recommending nor asking for any course of action but that my mission was purely exploratory. I made mention of the fact that Dr. Arthur Young, when here last fall, had talked to us to the effect that in his estimate China's currency might need support in the spring of 1940; I said that one at least of our officers feels strongly that such will probably be the case; and I said that I believed that Dr. Young had talked with Mr. Morgenthau.

⁴⁸ Noted by the Secretary of State.

⁴⁹ H. Merle Cochran.

Mr. Morgenthau said that Dr. Young had talked with him some months ago and that at that time he had not felt that he, Mr. Morgenthau, was in a position to give the matter serious consideration. He said that he would like to have me talk with Mr. White⁵⁰ (Director of Monetary Research). He thereupon arranged for me to see Mr. White. His last word, as I left his office, was to this effect: anything in the direction of assistance to China will have our sympathetic consideration.

I talked for about half an hour with Mr. White. I explained to Mr. White as I had done to Mr. Morgenthau that the Secretary of State was not making any recommendation or request; that my mission was, on behalf of the Secretary of State, exploratory. Mr. White talked at some length about difficulties in the way of making a "loan" to China for currency stabilization purposes. I then explained that we here are not thinking in terms of the possibility of a loan but rather in these terms: Would use of the Stabilization Fund be feasible from the domestic point of view and if so might it be practicable from point of view of economic (financial) and political effect in relation to the situation in the Far East, especially in China. I gathered from the whole of what Mr. White said that the Treasury has not studied the subject extensively. Mr. White indicated that they had not felt like giving time and effort to a study of the question unless and until there came to them from this Department a suggestion that they do so. I said that I felt warranted in saying that the Secretary of State would not be likely to wish to commit himself in any way with regard to the matter until there had been given to him some indications, tentative and preliminary though they might be, that, from point of view of practicability, the subject would warrant consideration. Mr. White said that he would take the matter up with Mr. Morgenthau and would keep me informed of any developments. I gave Mr. White, for his confidential consideration, a copy of the memorandum which was prepared by Dr. Young under date December 22, 1939.⁵¹ I stated that in giving him this, in confidence, I made myself no guarantor of or sponsor for the contents of the memorandum, but that I felt that it contained useful data.

At one point in the conversation, Mr. White spoke of the possibility of allocating some specified sum for use in relation to support of Chinese currency. I inquired whether it would be necessary to set aside a specified sum and whether there need be any publicity: was it not a fact that in the run-of-the-mill use of stabilization funds avoid-

⁵⁰ Harry D. White.

⁵¹ Not printed.

ance of publicity is the practice and tends to increase effectiveness. Mr. White said that in practice much can be done without publicity.

In leaving, I reiterated that my approach had been purely of an exploratory character. Mr. White said that he understood.

STANLEY K. HORNBECK ✓

893.51/7049a : Telegram

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

WASHINGTON, March 8, 1940—2 p. m.

82. Department's 419, December 15, 7 p. m., 1938.⁵²

1. On March 7 Jesse Jones, Federal Loan Administrator, issued a statement as follows:

"The trustees of the Export-Import Bank have allocated \$20,000,000 for additional loans to finance exports to China, also \$10,000,000 for exports to Denmark, and \$1,000,000 to Iceland.

The proceeds of these loans may only be expended for purchases in this country and no part of the money may be used for arms, ammunition or implements of war listed in the President's proclamation under the Neutrality Act of 1939.⁵³

A large part of the exports to Denmark and Iceland will be agricultural products."

2. The Export-Import Bank has informed the Department informally that the credit to finance exports to China will be handled in substantially the same way as the credit made available in December 1938 except that China will pay off the new credit with shipments of tin and other products instead of wood oil.

The credits referred to above, as other credits previously made by the Export-Import Bank, are in furtherance of the purposes for which the bank was established, namely, the facilitation of the import and export trade of the United States.

HULL

893.51/7049b : Telegram

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

WASHINGTON, March 8, 1940—5 p. m.

83. Department's 82, March 8, 2 p. m. At the press conference on March 8 a correspondent referred to a reported statement by the Japanese Foreign Office spokesman that the Japanese regard the advance of the 20 million dollar credit to China by the Export-Import Bank as an unfriendly act and asked whether I had any comment.

⁵² *Foreign Relations*, 1938, vol. III, p. 586.

⁵³ Approved November 4, 1939; 54 Stat. 4, 11.

I replied to the effect that all I had in mind in that connection is that the arrangement is a commercial and credit transaction and is in furtherance of our commercial policy which includes some financing by the Export-Import Bank of trade with various countries from time to time.

HULL

893.51/7048

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

WASHINGTON, March 11, 1940.

MY DEAR MR. SECRETARY: I have the honor to inform you that I have received from Generalissimo Chiang Kai-shek the following telegraphic message, dated Chungking, March 9, 1940, for transmission to the President of the United States:

To the Chinese Government and people who are fighting in resistance to aggression, the newly announced Export-Import Bank credit will mean not only fresh material assistance, but also new moral encouragement. All this has been made possible only by your leadership and direction. Please accept my sincere expression of appreciation and gratitude.

I shall be greatly obliged if you will be good enough to transmit the above message to the President.

I am [etc.]

HU SHIH

893.24/722

The Consul at Rangoon (Brady) to the Secretary of State

[Extract]

No. 287

RANGOON, March 12, 1940.

[Received April 18.]

SIR: I have the honor to report that increased supplies of American motor gasoline for China are coming to Rangoon, as a result of the interruption of communications between the port of Haiphong, Indochina, and Yunnanfu. The shortage of gasoline in China is reported to be very serious.

A total of 81,845 drums, or 4,337,785 gallons, of American gasoline for China has been imported at Rangoon to date, and more than half of that quantity has been received since February 1, 1940. The first shipment of American gasoline reached this port in July 1939.

All recent supplies of motor gasoline have been from Hong Kong, where both the Socony-Vacuum Oil Company and the Texas Company, the two American concerns that are supplying China under contracts

with the Universal Trading Corporation, have tank storage. American gasoline is delivered at Hong Kong by tankers, and it is placed in drums there for re-export. Only gasoline from the United States may be supplied under the contracts, as the purchases have been made with funds obtained through the Export-Import Bank credit. The steel sheets used in making the drums are also of American origin.

Some of the earlier supplies of gasoline for China delivered at this port were direct shipments from the United States, on American vessels. Additional supplies from Hong Kong due to reach Rangoon before the end of March will amount to about 15,000 drums, or 795,000 gallons.

Respectfully yours,

AUSTIN C. BRADY

893.51/7051 : Telegram

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

TOKYO, March 13, 1940—5 p. m.

[Received March 13—5:30 a. m.]

173. According to Domei, the Foreign Minister⁵⁵ made the following replies, respectively, to interpellations in the Budget Committee of the Lower House yesterday in regard to the attitude of the Japanese Government toward the Export-Import Bank loan to China, the policy of the Japanese Government toward Japanese-American trade relations in the absence of a treaty, and an alleged American policy of "encirclement" of Japan:

(1) "The United States has a law authorizing loans to foreign nations to the extent of \$200,000,000. On the basis of this law the United States has allowed the Export-Import Bank to make a 20 million dollar loan to Finland, a 20 million dollar loan to China and a loan of a certain amount to Iceland. Such an arrangement is understood to be for the purpose of promoting the export business of the United States and not to be utilized for the exportation of arms. However, I consider it quite unpleasing to Japan that the United States has taken such action to assist the tottering Chiang Kai-shek régime at this time."

(2) "Japan has tried to avoid placing hindrances in the trade between Japan and the United States and hopes that the United States will adopt a similar attitude."

(3) "A Nine Power Treaty conference⁵⁶ was held at the time of the outbreak of the China incident. Its results are well known to you. I do not think that the United States is undertaking any scheme to

⁵⁵ Hachiro Arita.

⁵⁶ For correspondence concerning the Brussels Conference, see *Foreign Relations*, 1937, vol. IV, pp. 155 ff.

encircle Japan. Japan has convictions of its own. It is useless to be frightened by imaginary phenomena.”

Air mail to Shanghai, Peiping.

GREW

893.51/7062 : Telegram

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

CHUNGKING, April 4, 1940—11 a. m.

[Received April 4—10:18 a. m.]

164. The following informal memorandum dated April 3 has been handed to me by Arthur Young who states that he personally strongly endorsed the justice of the position taken in the memorandum and the hope expressed in the last sentence:

“Doctor H. H. Kung would much appreciate Ambassador Johnson’s good offices in informally presenting the following for the favorable consideration of the appropriate authorities:

1. The Bank of China guaranteed the United States \$25,000,000 credit of December 1938. During negotiations for the pounds 3,000,000 British credit last summer the British insisted upon and received a similar guarantee. They offered to waive it if the Americans did likewise but the Chinese Government did not feel that it should request a change in the already existing agreement for the American credit. It is now proposed that the Bank of China also guarantee the proposed United States \$20,000,000 credit.

2. In guaranteeing the United States \$25,000,000 and pounds 3,000,000 credits the Bank of China has already assumed extremely large contingent obligations and it is clear that assumption of further large liabilities of this nature would seriously strain the bank and place it in a difficult position for the future. Moreover guarantee of such large payments running over a term of years goes beyond the usual function of a commercial bank.

3. The giving of this guarantee for the United States \$20,000,000 credit would be taken as creating a precedent and cause difficulties for China in future, as other countries such as Great Britain, France or Russia might be expected to ask similar guarantees for further credits. The extent of such guarantees might go far beyond a reasonable total. In any case bank guarantee of such obligations is injurious to Chinese Government credit.

The willingness of the authorities concerned to grant the United States \$20,000,000 credit is greatly appreciated. It is earnestly hoped, however, that this proposal for guarantee may be eliminated.”

Sent to Department only.

JOHNSON

893.51/7120

The Adviser on Political Relations (Hornbeck) to the Secretary of the Treasury (Morgenthau)

WASHINGTON, April 11, 1940.

DEAR MR. MORGENTHAU: With reference to my call on you on March 6, 1940, at which time at Mr. Hull's direction I spoke to you in regard to the question of possible use of the Stabilization Fund in connection with the situation in China, I enclose for your information a copy of a confidential letter, dated March 15, 1940,⁵⁷ which I have received from Dr. Arthur Young in Chungking, China. I think you may be interested in noting Dr. Young's further views in connection with this matter.

In the fourth paragraph of his letter Dr. Young mentioned two messages which were telegraphed by Mr. Peck at the end of February. In the longer of those two messages⁵⁸ it was suggested that the exchange situation might be relieved to some extent if the United States should supply free of charge to China not exceeding 15,000,000 bushels of wheat for relief purposes. A copy of a memorandum, which was prepared in the Department,⁵⁹ containing comment on this suggestion was transmitted to the Treasury Department on March 16. The briefer of the two messages^{59a} quoted Dr. Young as saying *inter alia* that, although the Chinese Stabilization Fund may be able to cope with the debit balance of payments growing out of the seasonal demand for imports which extends to early summer, the Chinese Stabilization Fund does not possess reserves adequate to protect the currency against such adverse developments as further attacks upon the currency by the Japanese, the creation of a new central "government", serious military reverses, or further repressive action by the Japanese military forces against foreign settlements and concessions in China. According to Dr. Young, the most critical period in the entire conflict will be reached in the next few months because there will be little foreign exchange available for currency support after early summer (unless fresh funds for currency support are obtained) and because a decisive factor in the outcome of the conflict will be maintenance of the exchange value of the Chinese currency at a period when increasing difficulties are causing the Japanese program to fail.

Yours sincerely,

STANLEY K. HORNBECK

⁵⁷ Not printed.

⁵⁸ Telegram No. 94, February 26, 9 a. m., from the Counselor of Embassy in China, p. 640.

⁵⁹ See memorandum by Mr. Joseph M. Jones of the Division of Far Eastern Affairs, March 6, p. 644.

^{59a} Telegram No. 95, February 26, 10 a. m., not printed.

693.116/202 : Telegram

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

WASHINGTON, April 19, 1940—2 p. m.

57. Shanghai's despatch no. 2947, February 27,⁶¹ in regard to embargo on imports of certain grades of cigarettes. In the absence of evidence of discrimination no basis is perceived for a protest against the application of this embargo to cigarettes containing American tobacco. The Department desires, however, that upon some suitable occasion in the near future you informally bring to the attention of the appropriate Chinese authorities the circumstance that any further depreciation in the Chinese currency will, under the existing regulations, cause the embargo to bear very heavily upon the sales of American leaf tobacco to China. Say that this Government fully appreciates the purpose of the Chinese Government in limiting the importation into China of articles classified as luxuries but hopes that it may be possible for the regulations to be so interpreted and administered as not to work undue hardship upon the importation into China of American leaf tobacco.

Sent to Chungking. Repeated to Shanghai.

HULL

893.51/7121

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

[WASHINGTON,] May 2, 1940.

DEAR MR. SECRETARY: We have a letter, addressed by Mr. Morgenthau to me, under date April 30,⁶¹ in which Mr. Morgenthau states that he deems it inadvisable to undertake at this time any Stabilization Fund activity which would attempt to stabilize the dollar-yuan exchange; that he would not use the Fund for that purpose without first obtaining permission from the Congress; and that it does not seem to him that this is an appropriate time to request such permission.

This disposes, adversely, of the question of possible action by the Treasury toward giving support to Chinese currency.

Mr. Morgenthau adds that he would be interested in cooperating in any consideration that might be given the proposal that the United States make a gift of 15 million bushels of wheat for relief purposes to China, but that furtherance of such a proposal would not seem to be the primary responsibility of the Treasury Department.

STANLEY K. HORNBECK

⁶¹ Not printed.

893.5151/730 : Telegram

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

CHUNGKING, May 8, 1940—8 a. m.

[Received May 8—3 : 30 a. m.]

209. My 200, May 3, 4 p. m.⁶² Financial Adviser Arthur Young called yesterday and, commenting on the recent fall in the exchange value of Chinese currency, stated that the stabilization fund on the evening of May 1 temporarily withdrew support from the currency because the speculative position and the drain of exchange proved that the fund was insufficient for the aggressive operations necessary to buy back substantial amounts of such currency. However, the Bank of China, the Central Bank and the Hong Kong Tokyo [*and Shanghai?*] Bank managed to accumulate some fresh resources for the fund in order to continue operations to reduce fluctuations and support the market. Young was of the opinion that the immediate emergency could thus be met but that the strain would disorganize China's economy and progressively diminish the effectiveness of the war effort unless the Government took firm internal action and unless external help were promptly received in a substantial amount. In reply to a question he said that the help he had in mind was a contribution to the stabilization fund.

JOHNSON

893.51/7072 : Telegram

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

CHUNGKING, May 13, 1940—10 a. m.

[Received May 13—9 : 45 a. m.]

213. Minister of Finance⁶³ asked me to call yesterday and after some general conversation he inquired as to effect of message sent by American Information Committee⁶⁴ in Washington. He said that the Generalissimo had talked with him day before and now would probably wish to send a message to the same effect. I inferred from import of his remarks that message would be in form of an appeal for assistance from American Government in support of Chinese efforts to maintain currency which means that he spoke of American assistance to France in this field and referred to information which had reached him, quoted, he said, from statements made by American examiners, to the effect that there were on deposit in American banks about a

⁶² Not printed.⁶³ H. H. Kung.⁶⁴ At Shanghai ; message sent on May 2, not printed.

hundred millions in United States currency belonging to Chinese banks and individuals in China representing capital which had fled the country. Referring to information contained in the press to the effect that steps had been taken by the United States Government to freeze overdrawn resources in the United States of neutral countries seized by Germany, he wondered somewhat vaguely whether it might not be possible for the United States Government to supply China with information as to names of such depositors in order that the Chinese Government might itself take some steps to use such funds in its own interest or whether the American Government might not utilize these Chinese funds in measures to aid in stabilizing Chinese currency. He made no requests in these matters other than to ask whether I could tell him how the telegram of the Information Committee was received in Washington. Dr. Kung remarked that he had pointed out to the British Ambassador that at least half the sums raised and used in the British-Chinese revenue fund had found their way back into British commercial hands, thus benefiting British and other foreign business; he said to me that China was suffering through her efforts to keep the market at Shanghai open; that having no control over the foreign banks or foreign merchants and brokers in Shanghai, China was crippled in steps desirable to make her support of her currency successful; that the collapse of Chinese currency would bring disaster to American business and investments in China as well as destroy China's ability to resist in economic fields; and that he hoped that the American Government would feel that it could take some step to protect the American commercial position and make a contribution toward the stabilization fund. I wish to state again that this was the drift of his conversation. Dr. Kung made no specific requests. I came away convinced that he was preparing the way for a message perhaps addressed directly to the President by the Generalissimo somewhat along above lines. I may add that Dr. Young yesterday quite independently inquired whether Dr. Kung informed me that he had been called in by the Generalissimo who inquired about situation regarding prices and effect thereon of present state of Chinese currency.

JOHNSON

893.51/7073 : Telegram

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

CHUNGKING, May 13, 1940—11 a. m.

[Received May 13—9:28 a. m.]

214. My 213, May 13, 10 a. m. I do not feel that I know enough about such matters to offer any advice. But I do feel that a critical moment has arrived and that an obvious method of giving protection

to American investments and interests in China at this time would be to find some way whereby support could be given the Chinese in stabilizing their currency and thus helping them to help themselves. Up to the present we have to a large extent benefited by the efforts of others. Considering the consequences of a collapse of Chinese currency, some effort by the United States will be necessary as [or?] advisable.

JOHNSON

893.51/7075 : Telegram

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

CHUNGKING, May 15, 1940—9 a. m.

[Received 10:55 a. m.]

218. My 209, May 8, 8 a. m.; 213, May 13, 10 a. m.; 214, May 13, 11 a. m., regarding stabilization of Chinese currency. Generalissimo asked me to call last evening and in presence of Commercial Attaché Arnold, Consul General Peck, Minister of Finance and Minister of Foreign Affairs⁶⁵ pointed out that the economic situation now facing Chinese Government was extremely serious and that it gave him much more concern than the military situation. He expressed the appreciation of China for all that had been done in the way of assistance in this time of their need, pointed out that England and France could give little further aid because of the war in Europe and expressed the hope that the United States, now the only great power untrammelled by war, could take some action to aid the Chinese Government in supporting its national currency. He urged in the strongest terms that such aid be given within two months in order to enable China to meet the present grave economic situation. Said he was prepared to send some one to discuss matters if the United States was ready to help. The Generalissimo stated that he was sending a message direct to the President on this subject (I assume through Chinese Ambassador at Washington)⁶⁶ and asked me to emphasize the seriousness of China's needs.

2. I made no comment other than to say that I would be glad to transmit the message which the Generalissimo had given me.

3. It is my personal belief that situation justifies assistance.

4. Present stabilization fund and its present operation offers an opportunity of rendering such assistance before such fund is compelled to retire from operation after which some special mechanism

⁶⁵ Wang Chung-hui.

⁶⁶ For text, see *infra*. In despatch No. 535, May 18, the Ambassador in China forwarded to the Department a copy of the text as received from H. H. Kung (893.51/7085).

would have to be devised involving greater American responsibilities; it seems to me that it should be found possible in some way to make a contribution to this existing fund for the purpose of aiding American commerce and objectives in China.

JOHNSON

893.51/7085½

*The President of the Chinese Executive Yuan (Chiang)
to President Roosevelt* ⁶⁷

CHUNGKING, May 17, 1940.

The Chinese Government and people, in their bitter struggle against aggression and lawlessness in international life, deeply appreciate the valuable friendship and assistance which the American Government has shown them in the past.

Japan's military advance having been bogged down, her undeclared war on China has developed into primarily an economic warfare. Recently the strain on our currency has been aggravated by the announcement of the possible creation of a puppet bank of issue at Shanghai and by the worsening of the European situation, resulting in unprecedented rise of prices and fall of exchange. Unless our exchange resources are strengthened, deterioration of conditions would continue to the further disturbance of trade, while the collapse of our currency would inevitably discriminate against American economic interests. The recent spontaneous appeal of the American Information Committee at Shanghai, urging your Government to extend loan for the support of Chinese currency, was undoubtedly prompted by the conviction that Japan's renewed attack on Chinese currency is seriously detrimental to American trade.

To meet the present situation the Chinese Government has taken action to curtail all postponable expenditures and reserve internal credit, and to carry out internal policies designed to help upholding the value of the currency.

The Chinese Government has also augmented the stabilization fund, chiefly from the resources of Chinese banks, but also with a contribution from a British bank.

While these measures should permit the tiding over of immediate difficulties, China needs further cash resources to cope with possible developments after the present funds are exhausted and to slow down the rate of deterioration.

⁶⁷ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y. This telegram was transmitted by the Chinese Embassy under date of May 28.

I therefore earnestly hope that the American Government under your illustrious leadership can at this strategic time see its way clear to broaden the scope of financial assistance to China by taking into consideration the possibility of supporting the Chinese currency by a cash loan or by other effective means which your financial experts may suggest.

I trust that you, Mr. President, will not hesitate to help our national cause to the fullest extent, particularly at a time when our staunch struggle is approaching the decisive stage of success or failure. If, as I hope, you are favorably disposed to these proposals in principle, I shall be glad to appoint a representative for the negotiation of detailed arrangements.

893.51/7080 : Telegram

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

CHUNGKING, May 18, 1940—1 p. m.

[Received May 18—7:30 a. m.]

222. My 221, May 18, noon.⁶⁸ I am advised that point 2 of Chiang Kai-shek's message⁶⁹ refers to the arrangement embodied in the letter of July 14, 1937, from Federal Reserve Bank of New York to the Central Bank of China for supplying United States dollar exchange. The suggestion is that if fresh funds can be provided for exchange it might better suit the American authorities to consider amending an arrangement made prior to the hostilities expressly for providing United States dollar exchange although of course considerable modifications would be necessary. Further if part of the United States dollars 20,000,000 credit could be used for exchange it might be preferred that the funds be applied in part payment of the indebtedness of United States dollars 19,000,000 still due to the Federal Reserve Bank of New York, thus freeing pledged gold *pro tanto* for exchange support.

JOHNSON

⁶⁸ Not printed.

⁶⁹ The text of Chiang Kai-shek's message as transmitted by the Ambassador in China differed somewhat from that delivered by the Chinese Embassy (printed *supra*). It contained the three following points not included in the latter copy:

1. To extend to China all possible means of financial assistance.
2. To extend further commercial loan secured on additional wood-oil and/or tin or by utilizing the framework and procedure of the 1937 credit arrangement.
3. As an interim and emergency measure, to permit part of the recent US\$20 million credit to be used in cash instead of for purchases, since our need of funds for exchange has become more vital than the purchase of part of the products desired while a substantial part of the exchange sold would be used naturally for purchases in the United States."

893.51/7087

*Memorandum by the Chief of the Division of Far Eastern Affairs
(Hamilton) to the Secretary of State*⁷⁰

[WASHINGTON,] June 3, 1940.

Referring to the comments which you made to Mr. Hornbeck yesterday in regard to the further extension of aid to China, it is suggested that we might take action along one or more of the following lines:

1. *Currency stabilization loan.* Although the Secretary of the Treasury stated some weeks ago that he did not think it advisable to proceed with the extension of a currency stabilization loan to China, a move of this sort, unless the Treasury Department definitely feels that it would be unsound from a financial point of view, would seem to have more to commend it than any other move of this character which we might make. Mr. Morgenthau feels that he could not proceed with such a matter unless he should obtain release from the appropriate committees of Congress of commitments which he has given to those committees orally. In view of the change in temper during the last few weeks among the American people and among the Congress, it is suggested that it might be feasible for Mr. Morgenthau to obtain at this time release from the commitments which he previously gave. It is suggested that the most practicable way toward exploring this whole situation would be for you to speak to the President about it and to suggest that the President discuss it with Mr. Morgenthau.

2. *Purchase from China of additional strategic materials.* The defense legislation now under consideration in Congress is undergoing constant amendment. It might be feasible to have incorporated in that legislation a provision making available additional funds for the purchase of strategic materials and for the provision to be worded in such a way that this Government could purchase certain supplies of such commodities from China and pay for those supplies in advance.

3. *Increased appropriations for the Export-Import Bank.* The Export-Import Bank has already extended all the credit which existing legislation permits toward financing the export of commodities to China. It is possible that Congress might give favorable consideration to increasing the funds available to the Export-Import Bank in such a way as to make possible the extension of further credits to cover the sale of American exports to China.

4. *A rehabilitation and reconstruction loan to China.* As the American people have during recent months and especially during recent weeks become increasingly aware of the potentialities of the international situation, it might be possible now, with vigorous Administration

⁷⁰ Initialed by the Adviser on Political Relations (Hornbeck).

support, to have legislation passed authorizing the extension of a rehabilitation and reconstruction loan to China. Any funds so provided should, of course, be specifically allotted for use at the present time in "free" China. There might, however, be definite advantages in so wording the legislation as to provide for later use of funds in any portion of China where American rights and interests were respected. Such wording might (1) constitute something in the nature of "bait" to the Japanese to influence them to remove economic restrictions which are in derogation of our rights and which are not entirely profitable to Japan; and (2) indicate to the Japanese that this country, motivated by no special enmities or friendships, has interest in assisting, for the benefit of all, in the return of economic stability to the Far East. The introduction of such a bill at this time, even though not acted upon, might have beneficial results.

5. *Freezing of Chinese deposits in the United States.* It will be recalled that some days ago consideration was given by the Treasury Department and by this Department to the practicability and advisability of this Government's freezing Chinese deposits in this country. At that time we told the Treasury Department that we thought it best to hold any such move in abeyance because we doubted whether such action would be productive of sufficiently advantageous results to outweigh the disadvantageous results.

M[AXWELL] M. H[AMILTON]

893.24/824

*The Chinese Embassy to the Department of State*⁷¹

The Chinese Ambassador has the honor to submit for the consideration of the Secretary of State the request of the Chinese Government for the supply of a number of 75-mm field guns which have been held in reserve by the American Government since the World War and are understood now to be available for disposal as surplus stock.

In making this request the Chinese Government is encouraged by the announcement that under a ruling of the Attorney General the prohibition on sale of surplus war materials to foreign countries engaged in armed conflict has been removed, as well as by the fact that the American Government has increasingly demonstrated its readiness to extend positive aid to states which are victims of unwarranted aggression.

It is the belief of the Chinese Government that in these three years of war of resistance, China has been bearing the brunt of the world's

⁷¹ Handed to the Adviser on Political Relations (Hornbeck) by the Chinese Ambassador on June 7.

fight against lawlessness and aggression, and may therefore in that sense be regarded as aligned and fighting on the side of the democracies in their common struggle against the forces of violence and anarchy in international life. It is in this belief that the Chinese Government constantly looks to the United States as a friendly source of supplies.

It is estimated that an immediate requirement of the Chinese army is for 540 or 720 75-mm field guns. These weapons are urgently needed in order to enable the Chinese armed forces to continue effectively to resist the onslaught of the heavily-equipped Japanese military machine, especially at the present crucial time when other sources of supply have, since the outbreak of the war in Europe, been closed to China.

The Chinese Government will be grateful if the American Government will be so good as to add to its past assistance by acceding to the above request. It further hopes that the American Government, in view of China's present financial situation, will also take into consideration the possibility of releasing these surplus arms and munitions in the form of a loan or under some other credit arrangement.

WASHINGTON, June 7, 1940.

893.24/825

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] June 8, 1940.

The Chinese Ambassador, at the suggestion of Mr. Hornbeck, telephoned me this morning in regard to his note of June 7, 1940, concerning the possibility of a purchase by the Chinese Government of surplus 75 mm. field guns.

I told the Ambassador that all of the 75 mm. field guns which had been declared surplus had now been disposed of; that the only surplus artillery still for sale consisted of five mountain guns, caliber 2.95 mm., 234 eight-inch howitzers, and eight twelve-inch mortars; and that I doubted very much whether his Government would be interested in acquiring any of this artillery, except the mountain guns. The Ambassador agreed with me that his Government would have no use for the howitzers or mortars. He said that he would ascertain whether his Government might wish to acquire the mountain guns and that if so, he would call on me early next week.

JOSEPH C. GREEN

893.24/766

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

[WASHINGTON,] June 21, 1940.

The Chinese Ambassador called at his request and informed me that he had a telegram from his Government expressing his Government's great anxiety in connection with the fact of shutting off of supplies via Indochina and inquiring whether something might not be done by the American Government in relation to that situation. I inquired whether it was not true that on several previous occasions the French authorities had announced discontinuance of conveyance of supplies into China via Indochina. The Ambassador replied that they had, but that in this case it appeared that there will be a real discontinuance of the flow of really important supplies, especially gasoline. I made the observation that I doubted whether the discontinuance would be complete, and, of course, the French authorities in Indochina have been under great pressure. The Ambassador said that he of course understood that.

The Ambassador then said that his telegrams indicated that his Government was not discouraged by what had occurred at Ichang and stated that Chinese forces had re-taken and were in possession of Shasi.

I inquired whether the Ambassador had any news of T. V. Soong.⁷² The Ambassador said that he had nothing from his Government, but that he had had a telephone message from a friend in Manila stating that Soong was on his way to the United States by Clipper. The Ambassador intimated that he hoped that, if this was true, Soong would be able to accomplish something useful in this country.

S[TANLEY] K. H[ORNBECK]

793.94/15978 : Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, June 23, 1940—5 p. m.

[Received June 23—11: 20 a. m.]

58. Reference Hong Kong's 199, June 22, noon, to the Department.⁷³ The Japanese military authorities in Canton yesterday released a statement concerning the landing of Japanese troops near the Hong Kong border. According to this statement, five Japanese detach-

⁷² Former Chinese Minister of Finance; chairman of the board of directors, Bank of China.

⁷³ Not printed.

ments landed at Poon early on June 22 and began the occupation of the border area for the purpose of cutting the routes over which supplies from Hong Kong were reaching Chinese forces. It was also stated that, despite the unprecedented difficulties in which it is now placed, Great Britain still pursues the policy of aiding Chiang Kai-shek and that because of this fact operations had to be initiated.

It seems likely that this military movement may be designed primarily to put a stop to the flow of Chinese Government supplies via Hong Kong and to exert pressure in connection with proposed demands that the Burma road be closed to military supplies. However, this movement seems to lend support to the growing belief that the Japanese intend sooner or later to occupy Hong Kong and French Indochina.

Sent to the Department. Repeated to Chungking, Hong Kong and Peiping for Tokyo.

MYERS

893.248/177

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

No. 5487

LONDON, June 24, 1940.

[Received July 8.]

SIR: I have the honor to refer to the Department's instruction No. 1409 of May 24, 1940 enclosing a copy of a letter dated May 15 received by the China Airmotive Company, 444 Madison Avenue, New York, from North American Aviation, Inc., Inglewood, California,⁷⁴ in connection with an attempt to obtain permission to assemble in Lashio, Burma, aircraft destined for China.

This matter in the sense of the Department's instruction has been discussed informally with appropriate officials of the Foreign Office. These officials point out that the subject raised is not a new one, and they indicate also that there is little chance of any change in the present British policy. It was pointed out that the present practice of not permitting assembly of these planes, even though they are training planes without armament, in British territory mitigates British difficulties with the Japanese.⁷⁵ This they regard as particularly important at a time when the Japanese are making every endeavor to force the British to stop the flow of all supplies through Burma into China. An official remarked that he did not think suffi-

⁷⁴ Neither printed.

⁷⁵ See, e. g., telegram No. 491, June 24, 10 p. m., from the Ambassador in Japan, p. 36.

cient efforts were being made by the interested companies to arrange for assembling of planes on the Chinese side of the border.

The foregoing was all oral, but a memorandum was left at the time and the hope expressed that the Embassy might receive a statement in writing.

Respectfully yours,

For the Ambassador:
HERSCHEL V. JOHNSON

893.51/7126

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

[WASHINGTON,] August 15, 1940.

Mr. Soong called on me at his request, this morning.

Mr. Soong inquired whether I was in position to give him any information regarding developments in connection with the question of possible financial assistance to China. I replied that I have had little information regarding developments in that field during the period since my departure from Washington on July 25 except that I have been informed that he, Mr. Soong, and Dr. Arthur Young have been holding conversations with the Treasury Department. I added that I was expecting to see the Secretary of the Treasury in the course of the morning and would probably know more about the situation before the day was over. Mr. Soong then gave me an outline of the two or three courses which he considered potentially practicable: some form of support for China's currency, commodity credits through the Export-Import Bank, an outright loan against future deliveries of wolfram, some arrangement between the United States and the Soviet Union which would encourage the sending by the Soviet Union of supplies to China.⁷⁶ Mr. Soong said that he understood that the usual procedure here is for such subjects to be considered first by agencies concerned with trade and finance and then to be referred to the Department of State. He inquired whether any definite proposals had reached the Department. I replied that it was my understanding that the President had asked the Secretary of the Treasury to canvass the possibilities and that I did not know how far the consideration of the subject had gone or what conclusions, if any, had been arrived at. I said that there existed a general desire, in principle, to be

⁷⁶ In regard to the latter point, on September 20 the Secretary of the Treasury, the Administrator of the Federal Loan Agency (Jones), and the Soviet Ambassador (Oumansky) reviewed the subject of a possible triangular arrangement; Mr. Morgenthau suggested the possibility of the United States buying strategic materials from the Soviet Union for cash and the Soviet Union in turn giving more assistance to China. Mr. Oumansky said he would let Mr. Morgenthau know if and when he heard from his Government.

of assistance, within appropriate lines, to China, but our democratic practice of formulating and executing policies within a framework of law and the necessity for considering carefully, in a world situation such as now exists, the various possible implications and repercussions of every step which may be taken, make for delays. Mr. Soong said that he well realized that such is the situation and that, while feeling that China's needs are great and urgent, he realized that it was necessary to be patient.

After Mr. Soong left me, I proceeded to the Treasury Department to keep an appointment with the Secretary of the Treasury, and while I was with Mr. Morgenthau Mr. Soong arrived there and was called into conference. (See separate memorandum.⁷⁷)

S[TANLEY] K. H[ORNBECK]

893.51/7128

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

[WASHINGTON,] August 15, 1940.

Participants: The Secretary of the Treasury.

Mr. T. V. Soong.

Mr. Cochran and Mr. White of the Treasury Department.

Mr. Hornbeck.

Having had a conversation with Mr. T. V. Soong earlier this morning (see separate memorandum⁷⁸), I called at eleven o'clock on the Secretary of the Treasury, in accordance with an arrangement made yesterday between Mr. Morgenthau and the Under Secretary of State, Mr. Welles. I found present with Mr. Morgenthau Messrs. Cochran and White.

Mr. Morgenthau opened the conversation with a statement that he was at a loss to know what to do about the matter of possible financial assistance to China and what to say to Mr. T. V. Soong. He indicated that he still felt not in position to take steps toward giving support to Chinese currency. He said that he had entertained the thought that something might be done in the way of a three-cornered arrangement involving the United States, the Soviet Union, and China, but that suggestion had come from the Department of State that he hold off on that for the moment at least. He asked certain questions about the situation as regards the Burma Road, Indochina, exports of wolfram from China, et cetera, some of which questions were answered

⁷⁷ *Infra.*
⁷⁸ *Supra.*

by Mr. Cochran, some by Mr. White, and some by me. He made mention of the new bill providing funds for the Export-Import Bank, which Messrs. Cochran and White said had been reported out from the Congressional Committees yesterday, and he made the remark that he did not see how the R. F. C.⁷⁹ could, if and as soon as that bill is passed, dip into the funds which it will make available, by way of a deal with the Chinese, in as much as those funds are intended primarily for use in relation to Latin America.

After a few minutes of conversation in which nothing constructive was developed, Mr. Morgenthau asked his secretary whether Mr. T. V. Soong had arrived and asked that Mr. Soong be brought in. Mr. Morgenthau asked Mr. Soong whether he had met with "any success in his explorations". Mr. Soong appeared somewhat nonplused at this question but after a moment's reflection said that he had talked with a number of high officials, that the President had given him encouraging words, that he had found the Secretary of War⁸⁰ and the Secretary of the Navy⁸¹ very much interested in the Far Eastern situation, that he had found Mr. Jesse Jones⁸² sympathetic, that he had had several conversations with Mr. White, and that he hoped that the Treasury Department was going to be helpful. Mr. Morgenthau said that he had been giving the problem a good deal of study, that he did not believe in arousing false hopes or expectations, and that he found the problem difficult; he then went over much the same ground that he had gone over with Messrs. Cochran and White and me a few minutes before, and he concluded by suggesting to Mr. Soong that it might be well for him to talk with Mr. Jones. He asked Mr. Soong some questions. Mr. Soong said that China was still able to export via both the Burma highway and French Indochina, in fact that no real difficulties in the way of exportation existed, and that China could send out wolfram in the amount of somewhere between 12,000 and 13,000 tons per annum. Mr. Morgenthau turned to me and asked whether I could offer any suggestions. I replied that in the light of what Mr. Morgenthau had said it would seem to me that some procedure via the Export-Import Bank offered the most in the way of a potentiality. Mr. Morgenthau asked Mr. Soong whether he had talked to Mr. Jones recently, within the last week. Mr. Soong replied that he had not. Mr. Morgenthau said that he himself was going away for a couple of weeks and would be glad to see Mr. Soong again after his return. Mr. Soong said that he would give thought to the question

⁷⁹ Reconstruction Finance Corporation.

⁸⁰ Henry L. Stimson.

⁸¹ Frank Knox.

⁸² Administrator of the Federal Loan Agency.

of calling on Mr. Jones and would look forward to talking with the Secretary of the Treasury after the latter's return. He thanked Mr. Morgenthau for having received him and for having spoken frankly.

S[TANLEY] K. H[ORNBECK]

893.51/7129

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] August 15, 1940.

After a conference held in the office of the Secretary of the Treasury this morning (see separate memorandum⁸³), in which Mr. Morgenthau had in effect informed Mr. Soong that he had thus far not succeeded in finding any way of giving financial assistance to China, I went to the office of Mr. White (Treasury). I found Mr. Soong just leaving that office.—Mr. White informed me that Mr. Soong was disappointed and greatly distressed over the negative character of the information which Mr. Morgenthau had imparted to him. However, he (Mr. White) said that he (Mr. White) has not given up hope that some means may be found of giving some help.—Mr. Soong waited for me, and he walked with me from the Treasury to the Department of State. Mr. Soong said that he was disappointed and greatly worried. He said that it would be difficult to say what he felt that he must now say and that what he was about to say must be kept in strictest confidence. He said: China has been fighting for three years—against great odds: China's battle is China's battle but its outcome, whatever and how, will greatly affect the interests of other countries—of the whole world; the Chinese have the will to fight on and on; much has been said in praise of and in confidence of Chinese morale; that morale is a fact—and it is today in no way impaired; but, to fight, a people must have weapons, must have economic sinews that make the physical effort of battle possible; with no sign of a crack or cracking yet, and with no realization on the part of most Chinese that it is a fact, China—he bitterly regretted, he hated to have to say, and he hesitated to say—is nearing the breaking point on the material side and is desperately in need of assistance. He asked whether I could offer any hope and what I might suggest that he do at this point: Would there be any use in his staying in this country and making further effort or should he go back to China?

I said that I could readily understand Mr. Soong's disappointment and that I greatly regretted hearing that the situation in China is as he had just portrayed it. I said that I hoped that he would not

⁸³ *Supra.*

consider the negative developments up to date with regard to further financial assistance to China as being conclusive and that I thought that he should continue to hope that something might be achieved before long. I would suggest, I said, that he wait a few days and then have a conversation with Mr. Jesse Jones, and that he make his plans so as to have, after Mr. Morgenthau's return, further conversations with Mr. Morgenthau. Mr. Soong said that he had it in mind to ask for another interview with the President, and he asked whether I thought that that would be a good idea. I said that I could not see offhand just what there would be for him to discuss with the President but that it might perhaps be well for him, after the Secretary of State returns to Washington, to give the Secretary an account of his, Mr. Soong's, view of the situation in China. Mr. Soong said that he thought it would be well for him to proceed along those lines, and he asked whether I would make an appointment for him to see the Secretary. I said that I would try to do so.

S[TANLEY] K. H[ORNBECK]

893.51/7123

*Memorandum of Conversation, by the Assistant Secretary
of State (Berle)*

[WASHINGTON,] September 5, 1940.

Mr. Jesse Jones telephoned me this morning and we came down town together.

He stated that yesterday T. V. Soong had called on him. He wished to borrow some money for the Chinese Government. Through Warren Pierson,⁸⁴ Soong stated that he had talked to the President, who had referred him to Morgenthau, and that Morgenthau appeared to be giving him the "run around". Soong had not got to the point of discussing amounts or details though the sum of \$5,000,000 had been mentioned.

At the same time the newspaper story came out in Shanghai that the United States was arranging a \$100,000,000 loan to China. The newspaper men had tackled Jesse about this. Jesse neither admitted nor denied the story, saying that they had not yet had an application. He did this because he was not sure what the policy was to be; and in view of the Indo-China developments he felt that it might be well to allow the story to run as an unconfirmed rumor.

He then said that he had in mind offering a small loan—perhaps \$5,000,000—to T. V. Soong now as evidence of our interest in the

⁸⁴ Warren Lee Pierson, President, Export-Import bank of Washington.

Chinese at this time. He wished to know what the policy of the Department on it might be. I told him I would find out and let him know.

A. A. BERLE, JR.

893.51/7137

*Memorandum of Conversation, by the Assistant Secretary
of State (Berle)*

[WASHINGTON,] September 13, 1940.

While calling on Mr. Morgenthau today I spoke to him briefly about the question of the Chinese loan.

I pointed out that T. V. Soong had requested the loan, I understood, first from the Treasury; had by direction of the Treasury gone to the Reconstruction Finance Corporation; that the Reconstruction Finance Corporation had consulted us, and by direction of the Secretary who approved in principle a loan of say twenty million dollars I had talked briefly to the President about it; that the President had likewise approved of the idea but had suggested that I talk to Mr. Morgenthau, adding that he (the President) would open the subject with Morgenthau himself.

The Secretary observed that the President had not done so but that he understood the situation perfectly. He was in favor of the loan to China. He was not clear as to the status of T. V. Soong with the Chinese Government, having heard that he had left Shanghai because it was "too hot a spot". Soong had asked him for a loan from the stabilization fund; this seemed impossible because it too nearly approximated a "gift"; but if the Reconstruction Finance Corporation felt it could do something along this line the Treasury was in favor of it.

I asked whether in that case the Reconstruction Finance Corporation and the State Department might proceed on the theory that it had his blessing without bothering him about it further, to which he cordially assented.

Subsequently I brought this subject up with Mr. Jesse Jones. Jesse said that he had had another visit from Soong. He proposed to give them the loan; the question was whether we should give it to them in dribblets or in one solid amount. I said I thought the feeling here was that if the loan was to be made at all, we had better make a loan in a good solid amount; again suggesting the figure of twenty millions which Secretary Hull had mentioned to me.⁸⁵

A. A. BERLE, JR.

⁸⁵ For announcement by the Federal Loan Agency on September 25 of financial arrangement with China, see press release No. 48, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 222.

793.94/16204 : Telegram

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

CHUNGKING, September 28, 1940—noon.

[Received September 28—9:50 a. m.]

489. 1. The Counselor of the Embassy⁸⁶ on September 26 paid a farewell call on Chang Chun, Secretary General of the National Defense Council and newly organized National Planning Bureau, and asked him for his appraisal of China's present position internationally and internally.

2. Informant's views in brief were as follows:

Internationally it is very important for China that the Soviet Union, Great Britain and the United States should draw closer together and coordinate their measures to curb Japanese expansion. Japan cannot embark on a serious program of territorial conquest until the hostilities in China have been successfully concluded. It is true that all three powers named have given aid to China and have thus contributed to the success of China in resisting Japan but this help has to date been indecisive in amount and effect and although China could carry on resistance for another year or two on the past scale without increased aid from the outside, China's final victory would be [in doubt?].

3. Soviet Russia attaches great importance to consolidation of its influence in the North Pacific which is jeopardized by Japan. Consequently Moscow might be willing to give Japan free rein in China and southward for recognition in the North Pacific. This possibility is feared by China and should be noted by the United States. The United States is, however, Japan's eternal rival in the Pacific area and he hoped that the American Government would, by friendly consultation with Moscow, ward off a Russian-Japanese deal of the sort described and in coordination with Russia and Great Britain would extend really decisive assistance to China in resisting Japan, this being an immediately available and effective way in which to curb Japan's expansion southward. He deprecated two views prevalent in the United States as being quite unwarranted, firstly, that the American interests involved in the outcome of the Chinese-Japanese hostilities are negligible and, secondly, that even without American or other assistance China is bound to win in the long run. A Japanese victory would enlarge immeasurably the threat to American interests in the Pacific region and China is at present without the financial resources to stage an effective counter-attack and expel Japanese forces.

4. Internally, China has two ominous difficulties: inadequate Government revenue and a depreciating currency. Obviously each phenomenon accentuates the other. The Chinese Government is obliged to supply deficient revenue by issuing currency and its expenditures

⁸⁶ Willys R. Peck.

are daily increasing with currency depreciation. This depreciation however is largely a matter of popular distrust of the currency and if the American Government were to see its way to granting China some sort of financial aid in support of the note issue the resulting popular feeling of reassurance would have powerful and favorable effect in lessening the Government's financial difficulties. He did not presume to say what form such assistance might take since he is not a financial expert.

5. It may be added that recently Chiang Kai Shek likewise informed the Counselor during a farewell visit that he earnestly hoped that the United States would help China meet its currency problem since this was fundamental in the whole military and political scheme. He asserted positively that if the Government could finance itself adequately it could be assured ultimate military success.

Sent to the Department. Repeated to Peiping. Air mail Tokyo.

JOHNSON

893.51/7140

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

WASHINGTON, October 15, 1940.

SIR: I have the honor to inform you that the Chinese Government has authorized the conclusion of a loan of twenty-five million dollars (\$25,000,000.00) United States currency, to the Central Bank of China from the Export-Import Bank of Washington, guaranteed by the Chinese Government. As part of the arrangements for the said loan the Chinese Government has further authorized the National Resources Commission to enter into sales contract with the Metals Reserve Company for the sale of tungsten ore having an aggregate sales price of thirty million dollars (\$30,000,000.00) United States currency and to assign the proceeds thereof to secure the repayment to the Export-Import Bank of its loan to the Central Bank.

I am instructed to state that the following individuals, as representatives of the several parties to the proposed loan agreement and sales contract, have been invested with due authority to negotiate the terms and to execute any and all documents necessary or convenient in connection with or to effect the above-mentioned loan agreement and sales contract, namely, for the Republic of China, Dr. T. V. Soong, Member of the National Government; for the Central Bank of China, Dr. Kan Lee, Member of the National Tariff Commission; and for the National Resources Commission, Mr. C. H. Wu, Secretary of the Foreign Trade Office of the National Resources Commission. All documents executed by them under this authority will be legally valid under the laws of the Republic of China.

I shall be grateful if you will be so good as to transmit the above information to the Export-Import Bank of Washington, the Metals Reserve Company and to other appropriate authorities.

Accept [etc.]

HU SHIH

761.93/1698 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

[Extract]

Moscow, October 17, 1940—8 p. m.

[Received 11:40 p. m.]

1361. In the course of a conversation with the Chinese Ambassador⁸⁷ this afternoon he stated that he had again seen Vishinsky⁸⁸ who in reassuring him as to the continuance of Soviet aid to China had remarked that "while the Soviet methods might have to undergo a change the Soviet goal remained the same."

The Ambassador stated in so far as he was aware there had been no recent appreciable diminution in Soviet aid to China but that on the other hand the Soviet Government had not responded to his request for better types of airplanes (see my 1235, September 25, 11 p. m.⁸⁹).

STEINHARDT

740.00111A Recruiting/183

The Secretary of the Navy (Knox) to the Secretary of State

WASHINGTON, October 19, 1940.

MY DEAR MR. SECRETARY: I should like your advice on a matter which has been brought to my attention and in which I have a sympathetic interest.

I am told there are a considerable number of American aviators who would be glad to volunteer their services to China in the present War with Japan if they could be absolved from any penalty for such action. Is it at all possible that we can handle this matter of American flyers going to China as we have handled the same situation with respect to young men volunteering for service in Great Britain in the present War there?

I would appreciate your advice.

Yours sincerely,

FRANK KNOX

⁸⁷ Shao Li-tzu.

⁸⁸ Andrey Yanuaryevich Vyshinsky, Soviet Vice Commissar for Foreign Affairs.

⁸⁹ Printed in vol. III, section under Union of Soviet Socialist Republics entitled "Reports on Developments of Significance Concerning Soviet Relations With Other Countries, Especially With the United States."

793.94/16249 : Telegram

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

CHUNGKING, October 20, 1940—9 a. m.

[Received 4:30 p. m.]

528. My 526, October 18, 9 p. m.⁹⁰ In view of the importance of this and the exact sense of General Hey's [*Chiang Kai-shek's*] conversation with me of October 18 there follows a close paraphrase of his remarks as taken down and later corrected and approved by him (but not independent of the preliminary exchange of views on international topics to which I alluded in my telegram under reference) :

I apprehend that perhaps you and your Government are not being kept apprised of the actual situation in this country and therefore I desire at this moment to take this chance to give you the following information so as [apparent omission] following closure of the Burma route not only American commodities but goods promised by Russia have not reached us. Moreover, the Chinese Communists are giving many indications [of] forsaking completely the maintenance of [apparent omission] in North Kiangsu, especially they have conducted themselves so badly as to hamper the conduct of hostilities. The foregoing is one of the menaces confronting China at this time. It is my desire that the American Government be acquainted with this fact. After closure of the Burma Road and the non-arrival of American supplies, it should be further noted that the probability of Soviet aid to China became remote. No supplies are being received through Sinkiang. As things are at present, the lingual Communist press has not published articles critical of any [*my*] Government but the Communists have launched verbal onslaughts. This is causing a deterioration of the people's morale which I acknowledge is not so good as it was a year ago. The prolongation of hostilities is being menaced from within. I want your Government to have the following confidential information which I have hitherto mentioned to no person not even T. V. Soong. Since July new United States loan had not been granted and if the British had not before having [*sic*] opened the Burma route our economic and social situation would have deteriorated. The foregoing I thus hold to [apparent omission] menace. The Japanese and their design to smash our power we do not fear but deterioration of the people's morale and the Chinese Communists are truly problems of a serious character. That this situation has improved during the past week is attributable to the removal of restrictions on the Burma route. Accordingly improvement in the Russian attitude toward China has resulted. But if resistance is to be prolonged, the attitude of Soviet Russia maintained, and the morale of the people sustained the positive help of the United States is necessary.

China [apparent omission] air planes and economic assistance. Although the route to Burma has been restored I fear that savage Japanese aerial attacks may render it useless. The opening of the route resulted from the support accorded the British by your Presi-

⁹⁰ *Ante*, p. 428.

dent. This factor I regard as the crucial turning point in which defeat has been converted to victory and our most threatening stage successfully passed. Our people and Government are, therefore, most grateful to President Roosevelt. Nevertheless more comprehensive assistance from the United States is necessary and the American authorities are being consulted by T. V. Soong in this respect. We will appreciate any support you can grant us in this connection. The fact that China, regardless of coming developments, desires to continue to concert with Great Britain and America in the Far East, I deem it unnecessary to emphasize, but the element of time is of the essence. In the event that the route to Burma is not usable owing to Japanese bombing, American supplies can not be shipped to us. It is impossible to ship goods through Siberia. A Japanese attack on Singapore would suspend ocean shipping and bring about the same result. If the road is closed or ocean traffic suspended, American assistance will not help us. Time, I wish to emphasize, is of vast importance.

I strongly hope that before the severance of communication facilities American planes can be procured in plentiful quantities. In the hope of obtaining the aid of the United States in this respect, I am despatching a proposal to Soong. Planes are urgently needed; we must have aircraft that are already fabricated to reach China in 3 months in order to uphold the morale of the civil and military population and to continue the struggle. 500 to 1000 planes in a year are required by China of which it is trusted 500 can reach China within the next 3 months before disruption of communications. It is also hoped that American volunteers will be able to aid us in carrying on hostilities. Splendid air bases are possessed in Chekiang Province from which American planes could be utilized to attack Japanese naval bases in Japan and Formosa. China will be able to diminish Japanese naval strength materially if she can obtain from America one-twentieth or one-tenth of the planes Britain is now receiving from the United States. For America the supplying to China of planes and volunteers is a desirable alternative to war with Japan. Provided the American Air Force would work in conjunction with our Army in case of an American-Japanese war, it might not be necessary for the American Fleet to proceed to the Orient, by working together they would be powerful enough to ruin the navy of Japan and thus effect a perpetual solution of Far Eastern difficulties.

If American volunteers cannot be procured, our air force will be trained to fly the new planes. But if the Government of the United States consents, the procurement of volunteers in the United States should be no problem.

It is not necessary for me to stress a point of which you are well aware: in the matter of cooperation among America, China, and England, we will follow the leadership of the United States.

We are thankful for the new loan of \$25,000,000 which with other loans of the past two years total \$75,000,000. The results have been excellent. But I trust that for further bolstering the morale of the Chinese people, America will see fit to grant a single big loan rather than small piecemeal credits. As I have declared above, it is not the Japanese Army which we fear, because our army is able to deal with

it, but the defiant Communists. American economic assistance plus the aid of the American Air Force can stabilize our unsteady economic and social conditions, thus making it impossible for the Communists to carry out their schemes.

I wish you to mention yet another point to your Government. When we commenced to resist Japan's invasion, the Chinese people were informed that the war would continue for a period of 3 years. Now we have fought over 3 years but we have not vanquished Japan. No later than August of this year Chinese planes were opposing Japanese bombers but now we do not have planes adequate for this purpose. In consequence of which other Japanese bombing goes unchallenged and the people are filled with disquiet; businessmen ask how long we can prolong the conflict without Anglo-American aid. If the American airplanes cannot reach us before the severance of Indo-Chinese routes, the people's spirit and sentiment might become so disturbed as to render the situation impossible of support.

Comment and interpretations in relation to the foregoing and allied topics follow.

Sent to the Department only.

JOHNSON

793.94/16251 : Telegram

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

CHUNGKING, October 20, 1940—9 p. m.

[Received October 21—11:20 a. m.]

529. My 526, October 18, 9 p. m.⁹¹ By way of comment I feel that I cannot over-emphasize the remarks set down at the end of my 524, October 17, 7 p. m.,⁹² reporting my conversation with British Ambassador. It appears that in his conversation with British Ambassador Generalissimo did not mention danger of social collapse due to whispering campaign of Communists and I have not repeated that part of conversation to him as Generalissimo wanted this treated as confidential.

I suggest that we cannot look upon this matter as a mere conflict between Chinese Government and Communism. Chinese Government badly armed and equipped has for 3 years been fighting desperately against invaders, armed and equipped with latest armaments. Chinese Government has from the beginning believed that its cause was our cause. The Chinese know our sympathy is with them and have welcomed that and the moral aid that we have given. All along however both Japanese and Communists have stated that our aid would not go beyond sympathy and moral help. The Chinese people have seen

⁹¹ *Ante*, p. 428.

⁹² *Ante*, p. 427.

their soldiers pushed away from the coast until today they cannot trade with us except with the permission of the Japanese. They have seen our rights flouted by the Japanese and we have done little or nothing about it in a concrete way. They believe in our desire to help but are losing confidence in our ability or our will to help. All of this plays into the hands of Japanese propagandists who from the beginning have stated that the Chinese were fools to depend upon the white or western peoples for help in Asia where Japan alone controls.

It took courage for the British to reopen the Burma Road and thus expose their interests in the Far East to attack from Japan at a time when they are locked in a deadly struggle for existence in Europe. The Chinese believe that the British could hardly have taken this step without encouragement from the United States. It is difficult for the Chinese to believe that we would take this action without following it up by aid to the British in defending themselves against attack in the Far East by the Japanese. They feel that both Britain and the United States need exceptional help that the Chinese could give in holding the Japanese. It is hard for them to believe that the United States will not help them to defend the Burma route and prevent its being closed by the Japanese, thus shutting them completely off from outside assistance and force them to choose between the Japanese and Communism. They stipulate that Soviet Russia would be more enthusiastic in supporting them if we would give them positive help. By contrast they believe that the Russians would be more likely to give positive aid to a Communist China if our help is not forthcoming. The Chinese Government would find it difficult to turn about now and make peace with Japan.

For 3 years we have maintained our Embassy close to the beleaguered Chinese Government, a constant symbol of our confidence in it and our desire to aid. Our prestige in the Far East is directly challenged. Are we going to abandon everything that we have stood for in treaty and policy or are we going to defend our rights and take positive and active steps to demand of Japan in particular respect for our rights?

We will have to assist the Chinese and the British in keeping open the Burma Road as a symbol of those rights. The Chinese cannot wait until planes are built; they will have to have them at once for today they have neither the planes nor the gasoline to operate them and Japanese controlling the air can bomb the country side at will, a constant reminder to the Chinese population that the power to which they have been led to look for sympathy and aid cannot do anything about it. Nay, the power that has even in the past done nothing to prevent the Japanese finding in our markets the materials necessary

to make their campaign a success in China while cutting China off from all contact with the United States.

The statements made to me by the Generalissimo should receive the most serious consideration coming as they do from the head of a Government that has nowhere to look now for help except to us. As I stated above it took courage for the British to reopen the Burma route in the face of Japanese threats. The United States must now back that courage up with such positive aid as to assist in making that route safe. To do otherwise is to put the stamp of validity on all that the Japanese and the Communists have said about the unwillingness of the English and especially the United States to go beyond words in helping the Chinese to stand independently against aggression by a stronger power.

The time for action of a positive character is here and I devoutly hope that the United States is prepared and ready to take it and that soon.

By air to Hong Kong for repetition by cable.

JOHNSON

893.50/205 : Telegram

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

CHUNGKING, October 21, 1940—10 a. m.

[Received 10:48 a. m.]

530. In our conversation of October 18 (my 526⁹³ and 528 of October 18 and October 20), the Generalissimo alluded to the gravity of the economic situation and the urgent needs of American economic assistance in order to prevent the situation from deteriorating further. I alluded to this problem in my telegram 502, October 4, 1 p. m.,⁹⁴ paragraph numbered 3. I said there that an economic crisis had arisen owing to soaring prices, the fall in purchasing power, speculation, hoarding, lack of consumer commodities—all of which threatened to bring about an economic disequilibrium which might undermine the whole economic structure and thus endanger the continuation of the Sino-Japanese conflict. Although the Generalissimo in his conversation with me failed to elucidate on the nature of the economic ills confronting his Government, I feel that he undoubtedly made reference to the difficulties mentioned above. I believe he feels that the deterioration of economic conditions is largely a matter of the loss of public confidence, a decline in the people's morale that can be checked only by positive economic assistance from the United

⁹³ For telegram No. 526, October 18, 9 p. m., from the Ambassador in China, see p. 428.

⁹⁴ Not printed.

States and Great Britain. Recent acts of hoarding and grumbling on the part of government employees who find it difficult to maintain themselves on their meager incomes in the face of rising prices are two manifestations of this problem. The extremely serious economic situation which prevailed in the early part of September has now eased to a certain degree, and I believe this is due in the main to favorable international developments—the new American loan, [deterioration?] of relations between the United States and Japan and the British reopening of the Burma route.

But the potential dangers remain.

Although the Generalissimo has not indicated what form American financial assistance should take, apart from the granting of a large lump sum loan which he stressed would buoy up the morale of the populace, I believe and strongly urge that the American Government should give earnest consideration to ways and means of bolstering the Chinese economic structure while the opportunity remains.

JOHNSON

740.00111A Recruiting/183

The Department of State to the Department of the Navy

WASHINGTON, October 23, 1940.

The situation relating to the service of American citizens in the armed forces of foreign states may be summarized as follows:

(1) Chapter IV of the Nationality Act of 1940⁹⁵ (effective 90 days from October 14, 1940) provides, *inter alia*, that "A person who is a national of the United States, whether by birth or naturalization, shall lose his nationality by:

(a) "Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state; or

(b) "Entering, or serving in, the armed forces of a foreign state unless expressly authorized by the laws of the United States, if he has or acquires the nationality of such foreign state; or

(c) "Accepting, or performing the duties of, any office, post, or employment under the government of a foreign state or political subdivision thereof for which only nationals of such state are eligible."

(2) Sections 21 and 22 of Title 18, U. S. Code, provide penalties for entry or the hiring of others for entry into the armed forces of a foreign state when such acts are committed within the territory or jurisdiction (not extra-territorial jurisdiction) of the United States, but there is no penalty in the general laws of the United States where citizens of the United States go abroad and while abroad enter the armed forces of a foreign state.

⁹⁵ Approved October 14; 54 Stat. 1137, 1168.

(3) Section 4090 of the United States Revised Statutes contains authority under which the United States Court for China "may issue all manner of writs, to prevent the citizens of the United States from enlisting in the military or naval service" of China, but that law provides no penalty and, so far as is known, no action has ever been taken under it and it seems unlikely that any action would be taken.

(4) Steamship companies as a rule will not accept as passengers American citizens intending to proceed to countries of the Eastern Hemisphere without passports or, in the cases of persons born in the United States of Chinese parents, without Form 430 issued by the Immigration and Naturalization Service. Passports valid for travel to China are now issued only in cases where there is impelling need. The present policy of the Department is to refuse passports to persons who state that they desire to go abroad for the purpose of enlisting in the armed forces of a foreign state.

(5) The question of the liability of young men (and perhaps particularly aviators trained in war flying) to service in the armed forces of the United States under the Selective Service Law⁹⁶ would presumably have to be considered and disposed of prior to the departure from the United States of American volunteers for service in the armed forces of foreign states.

The situation as above outlined is generally applicable to persons proceeding abroad for the purpose of serving in the armed forces of foreign states. It is understood that American citizens who have (at least prior to the passage of the American Selective Service Law) desired to serve in the British forces in the present war in Europe have in most cases proceeded to Canada without passports and have enlisted there without being required to take the oath of allegiance to the British Government. So far as is known there has been no violation by persons acting on behalf of the British authorities of the law against recruitment in the United States.

The only factor in the situation with regard to which the Department of State has discretionary authority is the factor relating to the issuance of passports. Decision with regard to that factor, being discretionary and based upon policy, is naturally subject to reexamination and reconsideration should there appear to be sound reason therefor.

893.51/7145: Telegram

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

CHUNGKING, October 23, 1940—noon.

[Received 1:30 p. m.]

539. Reference to my 528, October 20, 9 a. m. With reference to the economic situation and its influence on popular morale the slogan,

⁹⁶ Approved September 16, 1940; 54 Stat. 885.

"All aid short of war", which has come so frequently from the United States has a discouraging effect upon a people who for 3 years have been fighting desperately against invasion in a struggle which they identify with our interests. This is especially true when such aid is offered only at a high cost which is draining the country of the money and resources which might otherwise back the currency and prevent soaring prices. We give nothing, neither life nor treasure, to help those who are fighting against those who, if they succeed, must inevitably unite to fall upon us backed by the accumulated might of their conquests. We cannot expect this praiseworthy activity to continue in China nor in England where the people are being drained of their economic life to reimburse us for the means which they need to maintain themselves against conquest. Either we are asleep or we show a callous and dangerous disregard for the effects of this kind of a smug attitude if we really believe that "aid short of war" is enough. We should quickly awaken from this diffidence lest we find a completely unsympathetic world looking on unable to give us even the flimsy aid that we have been willing to give when we ourselves are attacked.

Sent to the Department only.

JOHNSON

793.94/16245 : Telegram

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

WASHINGTON, October 24, 1940—5 p. m.

181. Your 526, October 18, 2 [9] p. m.⁹⁷ I desire that you call upon Chiang Kai-shek and that you make to him orally a statement along lines substantially as follows:

Both the President and I have examined attentively the message which Chiang Kai-shek communicated through you,⁹⁸ and we are giving it our best thought.

We of course desire to see a durable and genuine peace reestablished in the Far East as soon as possible. We believe that such a peace can be restored only on lines which are consistent with principles of equity and justice in relation to all concerned. We would be lacking in candor if we did not state our view that the evidence available to us does not indicate that Japan's military leadership would be prepared at this time to enter into a settlement which would be fair to all concerned.

Both the American people and their Government are sympathetically aware of the internal as well as the external difficulties which have confronted and continue to confront China, and we have pro-

⁹⁷ *Ante*, p. 428.

⁹⁸ See telegram No. 528, October 20, 9 a. m., from the Ambassador in China, p. 672.

found admiration for the way in which China has met and is continuing to meet those difficulties.

We are surprised at the statement in regard to the cessation of aid from Russia. The information which we had previously received from various sources has been to the effect that, although there has been no increase and perhaps somewhat of a decrease in supplies from Russia, the sending of such supplies has continued.

With regard to the question of economic aid from the United States, there is of course no need to recount the various steps which the United States has already taken which have had the effect of assisting China. Chiang Kai-shek is fully familiar with those steps. With regard to the current situation, the Federal Loan Administrator announced at his press conference on October 17 that he was conferring with T. V. Soong, President of the Bank of China, on the subject of further advances of credits to China in exchange for essential defense products needed by the United States. The matter of further credits or loans is thus receiving active attention at this time.

With regard to the making available to the Chinese Government of military supplies, especially airplanes, we have made a review of the record of exports of airplanes to China. This review shows that since July 1, 1937, licenses have been approved for the exportation from the United States to China of 279 airplanes; that the value of these airplanes, including parts, has amounted to approximately \$22,000,000; that during the calendar year 1937 China occupied first place among foreign purchasers of American aircraft and during the calendar year 1938 third place; and that, although China dropped to twenty-first place during the calendar year 1939, it occupied eleventh place during the first 6 months of 1940, third place during July 1940, and ninth place during August 1940. During the first 8 months of 1940 applications were approved for licenses to export 115 airplanes to China. Of this number 48 airplanes had been exported as of October 1 and 67 had not been exported as of that date. It is understood that a considerable number of American airplanes are now en route to China.

With regard to Chiang Kai-shek's observations relating to Japanese air attacks upon the Burma road, it seems to us that there is serious question whether Japanese efforts to put the Burma road out of commission through bombing operations are likely to be substantially successful. Such bombing operations are, we understand, most difficult to carry out successfully. Certainly the fortitude, skill, and perseverance shown by the Chinese in keeping open the Canton-Hankow Railway in the face of repeated Japanese bombing attacks offer solid indications of the difficulties in the way of closing lines of communication.

With regard to Singapore, there of course exists danger that Japan may attack that place. Such danger does not seem to us immediately

imminent. Japan must realize the serious difficulties, including factors of equipment and of supply, which would attend any such attack and would not, it is believed, lightly embark upon such a venture while Great Britain is still strong in Europe and the American fleet is at Hawaii.

It may be observed further that the situations in Europe and in the Far East are closely interrelated and that the Axis Powers of course desire to bring their plans to fruition before the accelerated rate of production in the United States of military supplies results in substantially increased output and before the rearmament program in this country reaches maximum capacity. This country has already put forth great efforts to accelerate and to expand production. These efforts are continuing and are receiving the Government's best attention. From the standpoint of prospective output and the ability not only to supply its own needs but also to supply the needs of other countries which are fighting for self-preservation, every month which goes by without the Axis Powers' having achieved their objectives is so much to the good. For this country's position and the position of like-minded countries may be expected to become progressively stronger. While the present may be and undoubtedly is an especially critical period, the prospects over a somewhat longer period appear brighter.

The Government of the United States has consistently endeavored in relations with the Far East, while serving the interests of the United States, to avoid and avert disservice to the interests of China. At the present moment we are in no way forgetful of either of these objectives and we are intent upon both. As Chiang Kai-shek is of course aware, it is a traditional policy of the United States, except when this country is at war, to avoid entering into alliances or entangling commitments, although we believe in cooperative effort with other countries by peaceful and practicable means in support of the principles to which this country is committed. Just as Chiang Kai-shek and other Chinese leaders have foremost in their minds the interests of China, so we have foremost in our minds the interests of the United States. We are fortunately situated in that our interests and those of China usually run along parallel lines. Both the United States and China believe in peace, and the United States desires to see China establish and maintain herself along the lines of the democratic ideals in which we believe. It has long been a premise of American policy that the Chinese are capable of creating and maintaining a well-ordered state.

We offer the foregoing observations in regard to the subject matter of Chiang Kai-shek's communication. We are of course continuing to study the whole matter presented by him in a desire to be con-

structively helpful where it is appropriate and possible for this Government, acting within the framework of the established policies and laws of the United States, to be so. In our study and in our effort to be helpful we shall expect to confer on various points with the Chinese Ambassador here and with Mr. T. V. Soong.

HULL

793.94/16277 : Telegram

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

CHUNGKING, October 31, 1940—11 a. m.

[Received October 31—7:48 a. m.]

551. Pursuant to your instructions I called on Generalissimo Chiang yesterday afternoon at his private residence and orally communicated to him the substance of your 181, October 24, 5 p. m. He listened attentively and although he made no particular comment in respect of the various points conveyed in your message I gathered the impression that he was pleased with it. After a discussion of another subject introduced by General Chiang which I shall report in a separate telegram and one significant observation from him to the effect that today the United States is the one country which can be called "a pillar of peace," he concluded the interview by asking me to communicate to you and the President the following:

"I wish to express to you my deep thanks for your kind assistance. Will you please convey our deep gratitude to the President of the United States and the Secretary of State. We are grateful beyond words for the sympathetic consideration which they have given our problems; we are especially grateful that the President has taken time to consider this matter at a time when he is so busy just before the election. In my nightly prayers I always think of Mr. Roosevelt and I earnestly hope that he will soon be able to restore peace to a chaotic and disordered world."

Sent to the Department only.

JOHNSON

893.248/206

*Memorandum of Conversations, by the Chief of the Division of Controls (Green)*⁹⁹

[WASHINGTON,] October 31, 1940.

At Mr. Hornbeck's suggestion the Chinese Ambassador called at my office this afternoon to receive any suggestions I might be able

⁹⁹ Noted by the Secretary of State.

to make concerning the procedure which the Chinese Government should follow in order to obtain military planes in this country.

I reviewed some of the recent efforts of representatives of the Chinese Government to obtain planes in the United States and said that it was my impression that they had followed a mistaken policy in making reiterated endeavors to obtain small numbers of planes for immediate delivery.

The Ambassador agreed that this had been a mistaken policy and that in any case it had produced no tangible results. He added that he had, on occasions, endeavored to persuade representatives of his Government engaged in negotiations for the purchase of planes to abandon it, but that they had persisted and he had let the matter drop as he had presumed that they knew more about the business of purchasing planes than he did.

I suggested to the Ambassador that the most satisfactory procedure to follow and the only procedure in my opinion which would be certain to lead to the results which his Government desired would be for representatives of his Government to consult, as soon as possible, with Mr. Philip Young, chairman of the President's Liaison Committee, with a view to placing of orders immediately for as many military planes of the types best adapted to the needs of the Chinese Air Force as the Chinese Government felt that it needed and could afford to buy. I said that Mr. Young and his committee would be glad to advise the Chinese representatives as to the types of planes which might be most useful and most readily obtainable and that small orders of twenty-five or fifty of each of these types could be added to the large orders of planes of similar types already placed by the British, Canadian, and American Governments. I added that if the Chinese Government placed these orders not on the basis of delivery at some fixed date but merely for delivery as soon as possible, Mr. Young and his committee could probably arrange that the Chinese would be given the advantage of deliveries which could be effected as the result of any possible speeding up in construction of planes on order for the other Governments mentioned above. I assured the Ambassador that Mr. Young and his committee were fully informed as to the desire of this Department that the Chinese Government be enabled to obtain as many planes as possible, as soon as possible, and that his Government could rely upon receiving useful advice and assistance from the committee. The Ambassador thanked me for the suggestion and said that he would telegraph his Government immediately asking that appropriate instructions be sent without delay to the Chinese agencies in this country.

In the interval between the Ambassador's telephone call to make his appointment and his arrival at my office, I called Mr. Philip Young

by telephone, told him what I proposed to say to the Ambassador and asked him his opinion of that suggestion.

Mr. Young said that in his opinion that was the only intelligent way to deal with the matter and that undoubtedly his committee could, if the Chinese Government were to place orders without delay, see to it that the deliveries were begun within a reasonable length of time.

JOSEPH C. GREEN

793.94/16297 : Telegram

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

CHUNGKING, November 5, 1940—11 a. m.

[Received November 5—10: 05 a. m.]

559. 1. My British colleague came to see me yesterday afternoon, stating that he came at the request of the Generalissimo to inform me of a conversation which he had had with the latter on the second instant. From the outline of that conversation, it appears that Generalissimo amplified what he had said as reported in my 524, October 17, 7 p. m.,¹ by repeating what he had said to me about the effect of Communist campaign designed to discredit ability of his Government to defend China from Japan as reported in my 526, October 18, 9 p. m.² British Ambassador said that Generalissimo stated he would ask me to come to see him again latter part of this week. I outlined to British Ambassador nature of reply which we have made to Generalissimo.

2. Later the Vice Minister for Foreign Affairs, Hsu Mo, came to see me at the instance of the Generalissimo and stated that the latter had given serious thought to the reply which we had made and to remarks about parallelism between interests of China and the United States. He wondered whether I had given this any thought and particularly whether I had offered any suggestions to Washington as to nature of concerted action. I replied saying that I had not, that I knew that Washington was giving such matters consideration and that steps would be taken as events developed as stated by the Department in its message to the Generalissimo. The Vice Minister said that the Generalissimo had stated that he would be glad to discuss with me such suggestions and that he knew that the Generalissimo would wish to see me later in the week to give me some suggestions. I stated that while I would at all times be glad to receive from the Generalissimo any suggestions or thoughts that he might desire transmitted I was in no sense empowered to negotiate or carry on discussion and that I thought that it would tend to confuse the situation if the Generalis-

¹ *Ante*, p. 427.

² *Ante*, p. 428.

simo should not put his suggestions to Soong and the Chinese Ambassador now in Washington and in touch with the authorities there who were sympathetic and prepared to discuss. Vice Minister Hsu Mo was not accurately informed of the fact that all airplane and most armament equipment in the United States is made by private firms and purchased by the United States Government on contract with such firms and that planes supplied to the British are supplied under contract and under license in just the same manner as planes have been supplied to the Chinese and, what is more important, delivered to the British not in French [*American?*] vessel but at the port of Itu [*sic*] whence the British carry them in their own ships to the British ports where they are needed. Doctor Hsu remarked that China did not have the money that Great Britain had to pay for the planes which she needs. I stated that that was a matter which would have to be threshed out in Washington between Soong and the authorities there.

4. [3?] I made inquiry of Dr. Hsu Mo about Russian supplies, saying that I had been surprised to learn that they had stopped. He stated, as I anticipated, that no Russian planes had come. I gather that the Chinese had come to depend upon expected supply of Russian planes which they were receiving on credit as they could not get planes from the United States on credit and that it is either the exhaustion of Russian credit or refusal to supply further planes on credit by Russia that has left them in the present serious situation.

5. [4?] It is my expectation that after the election I shall receive a request from the Generalissimo to call and shall gain further suggestions from him.

Sent to the Department only.

JOHNSON

893.248/184

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] November 5, 1940.

Since January 1, 1940, the following aircraft have been exported to China under licenses issued by the Department:

- 1 Model 72A Curtiss Hawk fighter
- 3 Model 21 Curtiss interceptor fighters
- 30 Model NA16-4 North American advance combat trainers
- 11 Model STC-4 Ryan primary trainers
- 1 Model 122 Curtiss Falcon basic combat trainer
- 3 Model V-1A Vultee transports
- 1 reconditioned Curtis Condor freight and passenger transport
- 1 Model 105 Stinson high wing cabin sport monoplane.

Some aircraft for which export licenses have been issued have not as yet been exported. Only one order for planes has been placed by the Chinese since January 1, 1940. That order was for 6 model A18R Beechcraft advance trainers, which have not as yet been delivered.

JOSEPH C. GREEN

893.248/184

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] November 6, 1940.

It is my understanding that what the Secretary wants is that this Government make available to the Chinese Government as promptly as is possible a few planes—within limits, the more the better; that he would prefer that these be made available from stocks of planes already possessed by the Government and the Government take in the 16 planes which have been requisitioned from the Thai Government;³ but that, if such a release and substitution is not possible, the 16 Thai planes be sold to the Chinese.

S[TANLEY] K. H[ORNBECK]

893.248/186

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] November 7, 1940.

Dr. T. V. Soong, President of the Central Bank of China, called at my office this morning by appointment. He referred to my recent conversations with the Chinese Ambassador and Mr. Arthur Young in regard to the purchase of military planes by the Chinese Government. He said that he had now been authorized by his Government to act as its agent for the negotiation of the necessary contracts. He added that his Government desired to obtain at least a few planes immediately.

I replied that this Government was very anxious to make it possible for the Chinese Government to obtain a few planes immediately. I added that in view of the needs of the Chinese Government we had been somewhat surprised that it had placed no orders for combat planes in this country this year.

Dr. Soong said that the failure of the Chinese Government to place orders heretofore was due to the fact that it had relied upon the U. S. S. R. to furnish it with combat planes, but that as it had been

³ See telegrams Nos. 57, October 10, 2 p. m., and 69, October 19, 2 p. m., to the Minister in Thailand, pp. 176 and 187.

disappointed in the number of planes furnished by the U. S. S. R. it has now resolved to place orders in this country. Dr. Soong asked whether I could make an appointment for him to see Mr. Philip Young, Chairman of the President's Liaison Committee.

In Dr. Soong's presence I called Mr. Young's office by telephone and made an appointment for Dr. Soong to see Mr. Young tomorrow afternoon.

I told Dr. Soong that Mr. Young was fully informed of the desire of the Department of State that arrangements be made which would permit the delivery of at least a few planes to the Chinese Government in the immediate future and that I felt sure that if an order were placed Mr. Young and his committee would find it possible to make the necessary arrangements. Dr. Soong then asked my advice as to how he should approach Mr. Young.

I suggested that he should be perfectly frank with Mr. Young, place the entire problem before him, and discuss it with him freely in all of its aspects. I added that I felt that he and his Government could fully rely upon any advice which he might receive from Mr. Young and his committee in regard to the types of planes for which it would be most advantageous for the Chinese Government to place orders.

Dr. Soong then mentioned the Thai planes now in Manila. He said that he hoped that his Government might be able to purchase those particular planes.

I replied that that might be the solution, but I pointed out that those planes were dive bombers of an extremely powerful type. I added that for many reasons I thought that it would probably develop from his discussions with Mr. Young that it would be far more advantageous to his Government to acquire other planes rather than the Thai planes at Manila.

JOSEPH C. GREEN

793.94/16303 : Telegram

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

CHUNGKING, November 7, 1940—11 a. m.

[Received 1:35 p. m.]

563. My 559, November 5, 11 a. m. paragraph numbered 4. In an informal conversation with General Ho Ying Chin on November 5 he informed me that a total of 80 military planes had been acquired by China from Russia this year, that China still has unused Russian credits amounting to 30,000,000 dollars (presumably United States currency), that the Russians are willing to sell China the remains of type planes E-15 and E-16, that China does not desire to acquire

more planes of the above-mentioned types for the reason that they are obsolete and "death traps", that Russia has not been willing to deliver to China new model planes for the alleged reason that the Soviet Union needs these new type planes for the members of its own air force, that Russia has given informal assurances to endeavor to supply China with some new type airplanes about the end of the present year and that Russian volunteer pilots were all withdrawn several months ago because China no longer had planes to supply them with and because China has adequate air personnel of its own.

Sent to the Department only.

JOHNSON

893.24/984

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

[WASHINGTON,] November 8, 1940.

MR SECRETARY: While we try to hold Japan in a state of suspension as regards new moves of aggression, by refraining from material pressures on our part, and so long as, in and toward so-doing, we hold back on embargoes, we need to keep in mind that fact that the Japanese campaign against China—based especially upon widespread bombing of civilian populations—continues, that Japan is greatly benefited by what we export to her, that China is terribly handicapped, and that, wanting China not to be defeated, we must see to it that China gets material assistance.

S[TANLEY] K. H[ORNBECK]

711.93/453 : Telegram

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

CHUNGKING, November 9, 1940—5 p. m.

[Received November 11—7:45 a. m.]

568. 1. I went to see the Generalissimo this morning at his request. General Chiang said he was delighted to learn of the reelection of President Roosevelt which he considered to augur well for the future peace and welfare of the world. He went on to say that the sagacity of the American people in returning Mr. Roosevelt to the White House had definitely put an end to the reverses suffered by the democracies in the past few years, that his reelection was received with pleasure in all but the totalitarian nations to which it was a severe blow and that Mr. Roosevelt's retention in office for another 4 years insured the return of peace and democracy to a disordered world.

2. After conveying his felicitations in respect of the retention of the President, General Chiang referred to the subject which he had invited me to call to discuss, namely the question of Sino-American cooperation in the Far East which I had anticipated and reported in my telegram 559, November 5, 11 a. m. Chiang began by asking whether I had given consideration to plans for cooperation between the United States and China. I replied that I had not considered the matter and that I had made no suggestions to Washington for the reason that it is a problem that will have to be discussed and decided upon in Washington. The General then said that during the past few days he had given much consideration to the formulation of comprehensive plans for Sino-American cooperation. I answered that I would be glad to hear and transmit to my superiors his ideas and proposals on that subject. He then asserted that it was first necessary to lay down the principles for American-Chinese-British cooperation in the maintenance of peace in the Far East; having laid down the principles of cooperation it would then be appropriate to pass on to a consideration of the details required for the carrying out of the principles. General Chiang then asked the Minister of Foreign Affairs who was also present at the interview to read a document in the English language which was entitled "Sino-Anglo-American Plan of cooperation". After listening to the reading of the document I asked for and was handed a copy thereof. A close paraphrase follows. [Here follows paraphrase of document printed *infra*.]

4. When the Foreign Minister had concluded reading the foregoing paper, General Chiang referred to point 4, section (d), of paragraph numbered 3 above⁴ and said that he had not mentioned in the document the matter of the use of Chinese ports. He then asked me to incorporate in my message to the Secretary a statement to the effect that upon the recovery of Chinese ports from Japan the said ports shall be available for the use of the American and British Navies subject to the making of a separate arrangement for a period of 10 to 20 years. The Generalissimo went on to say that after the conclusion of the Sino-Japanese hostilities China will endeavor to construct a navy, that China would need assistance in carrying out that object and that the United States navy may therefore use Chinese naval bases and he asked that I take pains to mention this point in my telegram. I said I would do so.

5. The General then asked me for my comment on his plan for cooperation. I replied that it was obviously impossible for me to offer official comment but that I would send the [document?] to Wash-

⁴ See last paragraph (IV, 4) of document, *infra*.

ington for consideration. He then pressed me for my personal views and I replied that as for [*far as?*] the principles laid down by him were concerned I believed that they corresponded with those already enunciated by my Government on many occasions. I continued by saying that I thought that his method of procedure offered useful points but I pointed out that it was not the policy of the United States to enter into alliances. General Chiang said he had borne that point in mind—hence the two alternatives provided in section (c) of paragraph numbered 3 above;⁵ he asked that I mention this point in my message and I replied that I would. I then emphasized that any measures for assistance will presumably be worked out in Washington within the established framework of American policy and procedure. I went on to explain that I did not know where it would be possible to furnish the planes desired by General Chiang and I pointed out the various difficulties which might be encountered such as availability [of] planes, methods of shipment, et cetera.

6. General Chiang said he was seeing the British Ambassador on the afternoon of November 9 and would communicate to the latter the plan which he had first summarized to me. The interview then terminated.

7. After the termination of the interview the Foreign Minister informed me privately that the Generalissimo's plan had not been transmitted to Washington. Subsequently Mr. Hollington K. Tong came to see me saying that he had been directed by General Chiang to inform me that Mr. T. V. Soong would be authorized to discuss on his behalf any arrangements for Sino-American-British cooperation that might be the subject of conversations in Washington.

Sent to the Department only.

JOHNSON

711.93/459

*The Chinese Minister for Foreign Affairs (Wang) to the American Ambassador in China (Johnson)*⁶

SINO-ANGLO-AMERICAN PLAN OF CO-OPERATION

In view of their common interests and their common mission to maintain peace in the Pacific and in order to carry out the identical principles which they uphold, China, Great Britain and the United States should recognize the necessity of close co-operation between them, and it is with this in view that the following Plan is submitted.

⁵ See paragraph III of document printed *infra*.

⁶ Handed to the Ambassador on November 9; copy transmitted to the Department by the Ambassador in his covering despatch No. 694, November 11; received November 30. See telegram No. 568, November 9, 5 p. m., *supra*.

I. *Principles:*

1. To insist on the principles of the Open Door and the maintenance of China's sovereignty and territorial and administrative integrity, as contained in the Nine Power Treaty.

2. To oppose Japan's attempt to establish "a new order in East Asia" or "a new order in Greater East Asia".

3. To recognize the fact that only on the foundation of a free and independent China can peace be built in the Far East, and normal and orderly relations be established between nations in the whole Pacific.

II. *Procedure:*

1. China, Great Britain and the United States to issue a Joint Declaration stating, *inter alia*, that for the purpose of carrying out their obligations under the Nine Power Treaty and guaranteeing peace in the Pacific, they recognize the three principles mentioned above as constituting their common cause.

2. Great Britain and the United States to issue a Joint Declaration stating, *inter alia*, that the three principles mentioned above constitute their common cause and that they therefore will do their utmost to help China maintain her sovereignty and territorial and administrative integrity and to restore international peace and order.

Note: It will be for Great Britain and the United States to consider and decide whether to adopt Formula 1 or Formula 2 as outlined above.

III. *China and Great Britain to conclude an alliance and to secure the adherence of the United States; and, in the absence of such adherence, to secure the approval and support of this alliance by the United States.*

IV. *Concrete measures for mutual assistance (To be agreed upon before the issuance of the Joint Declaration).*

1. After the issuance of the Declaration, Great Britain and the United States to make a joint loan or separate loans to China with a view to maintaining China's foreign exchange and national currency; the total amount of such loans to be from 200,000,000 to 300,000,000 United States dollars.

2. The United States to sell to China, in the form of credit loans, from 500 to 1000 fighting planes each year, and to deliver to China from 200 to 300 fighting planes before the end of 1940. In addition, Great Britain and the United States to supply China with other kinds of military equipment; the specifications and the quantities of such equipment to be agreed upon.

3. Great Britain and the United States to send to China military,

economic and communications missions for the purpose of establishing an organization of co-operation concerning the Far East in conjunction with the Chinese Government. The members of such missions may be appointed by the Chinese Government as advisers.

4. In the event of hostilities breaking out between Great Britain and/or the United States on the one hand and Japan on the other, the whole Chinese Army will participate in these hostilities and all the aerodromes in China will be placed at the disposal of the allied forces.

793.94/16306 : Telegram

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

CHUNGKING, November 11, 1940—11 a. m.

[Received November 11—8:15 a. m.]

571. When the Generalissimo began the conversation during which he offered the suggestion contained in my 568, November 9, 5 p. m., he said that his proposal was the result of his consideration of the reply which you and the President had made to his original message communicated in the Department's 181, October 24, 5 p. m. He had particularly in mind the statement regarding our belief in cooperative effort in support of principles to which the United States is committed and it will be noticed that in working out his suggestions he has endeavored to frame them with that in mind. He believes and has all along said that the fight that China is waging is intimately linked with the United States and Great Britain. He feels isolated and finds it hard to understand why China's part is not given more concrete recognition. Germany has in the past been ready to mediate between China and Japan. Russia has aid to give but the Generalissimo feels that Russia would be more willing to aid a Chinese Government dominated by the so-called communistic elements. He assumes that the United States and Great Britain will be thrown closer together during the present war in Europe and hopes that China will be included in such discussions as may take place. This is his own contribution to such discussions from the Chinese side.

Sent to the Department only.

JOHNSON

893.24/987

The Consul at Rangoon (Brady) to the Secretary of State

No. 379

RANGOON, November 15, 1940.

[Received December 13.]

SIR: I have the honor to report that supplies for the Chinese Government carried by the Burma Railways from Rangoon to Lashio

from the time of the opening of the Yunnan-Burma highway (Burma Road) in February 1939 to October 28, 1940, amounted in weight to 96,808 long tons, exclusive of 2,669 motor trucks, which were also forwarded by rail.

All of the supplies and all of the trucks were shipped by the Southwest Transportation Company, the Chinese concern in general control of Government shipments over the Burma Road. The figures are exact, and they cover all Chinese Government traffic from Rangoon to Lashio, except occasional shipments made by road, some in new trucks en route to China, and a few rail shipments made by other Chinese Government agencies.

The total of 96,808 tons of supplies included 24,911 tons of arms and ammunition, and 5,385 tons of explosives. Other items were 23,715 tons of gasoline, 1,203 tons of motor-vehicle and airplane parts, 2,056 tons of machinery, and 39,538 tons of miscellaneous materials.

That China has obtained only very limited quantities of war materials from overseas countries in recent months is indicated by the traffic figures, which show shipments of only 831 tons of explosives and 552 tons of arms and ammunition since April 1, 1940. Most of these explosives and more than a third of the other war supplies were shipped in the month of April.

Practically all materials and supplies for the aircraft factory of the Central Aircraft Manufacturing Company at Loiwing, China, have been shipped from Rangoon by river, but relatively little other freight destined for China has gone by that route.

Payments to the Burma Railways for the Chinese Government traffic provided by the Southwest Transportation Company in the period stated amounted to Rupees 4,053,889, or approximately \$1,236,436 at the average rate of exchange for that period.

Respectfully yours,

AUSTIN C. BRADY

711.93/453 : Telegram

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

WASHINGTON, November 18, 1940—noon.

192. Your 568, November 9, 5 p. m. I desire that you convey to Chiang Kai-shek orally a statement of the President's appreciation of Chiang Kai-shek's kind comments in regard to the President's reelection; that you again call attention to the fact that it is a traditional policy of the United States to avoid entering into alliances or entangling commitments; and that you state that the appropriate officers of this Government will expect to discuss with the Chinese Ambassador and with Mr. T. V. Soong various features of the "Plan" outlined

in your telegram under reference, with a view to being constructively helpful where it is appropriate and possible for this Government, acting within the framework of the established policies and laws of the United States, to be so.⁷

WELLES

711.93/457 : Telegram

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

CHUNGKING, November 22, 1940—noon.

[Received November 22—7: 35 a. m.]

580. 1. Yesterday evening after the coding of my 579, November 21, 3 p. m.,⁸ Dr. Hollington Tong called at my residence saying he had come under instructions from the Generalissimo and handed me a document in English which he said was a translation of a message which General Chiang had prepared following his interview with me yesterday morning and which he desired transmitted to President and the Secretary of State. I said that I would of course be glad to forward the message as desired. A summary of that message is going forward in my 581, November 22, 1 p. m.⁹

2. The Department will note that the two "points" or "measures" mentioned in Chiang's message vary in important respects from two "remedies" reported in paragraph numbered 2 of my 579.

3. I have endeavored on various occasions to impress on Chiang and the Foreign Minister that I doubt very seriously whether the American Government would be prepared to enter into advance commitments to China or any other country and I have also attempted to discourage Chinese hopes of the early delivery of any substantial number of planes to China. Nevertheless it seems that Chiang is still hopeful of obtaining an American commitment in respect of assistance to China in the maintenance of certain stated principles in relation to the Far East and American "support" or "indorsement" of a Sino-British alliance.

4. In discussing this subject informally with Tong yesterday evening, I learned that it is his private opinion that Great Britain's decision concerning support of and closer relations with China will be governed by developments in the American attitude vis-à-vis China.

Sent to the Department only.

JOHNSON

⁷ For the Ambassador's interview with Generalissimo Chiang, see telegram No. 579, November 21, 3 p. m., from the Ambassador in China, p. 439.

⁸ *Ante*, p. 439.

⁹ *Infra*.

711.93/458 : Telegram

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

CHUNGKING, November 22, 1940—1 p. m.

[Received 3:16 p. m.]

581. Summary of message.¹⁰ Of the proposals which I advanced recently, the principal consideration is to formulate specific methods for giving assistance to China and of realizing the principle of cooperation for United States, China, and Great Britain. To the Government of the United States is left the decision of deciding the mode of procedure to be adopted.

Although we are cognizant of the policy of the United States to conclude alliances with no country, the existing Far Eastern situation calls for American reflection on these points: (1) American support of an Anglo-Chinese alliance and mutual assistance and (2) issuance of a joint Anglo-American declaration assenting to willingness to grant China all possible aid and setting forth their vindicable [*common*] position in relation to the Far East. If the menace with which China is now faced is to be safely passed, the foregoing measures should be carried out at the same time; otherwise our military and economic situation, which is already very difficult, will worsen. Japanese recognition of the Wang regime will tend to speed up the breaking down of our war effort.

If I failed to inform the United States of the foregoing, I would be lacking in candor. I trust that the Government of the United States will inform me at the earliest possible date whether it can support the proposals for assistance contained in my plan (see *d*) paragraph numbered 3, my 568, November 9, 5 p. m.¹¹) as well as the suggested Anglo-Chinese alliance (End of summary).

Sent to the Department only.

JOHNSON

793.94/16327 : Telegram

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

CHUNGKING, November 23, 1940—noon.

[Received 8:54 p. m.]

583. My 524, October 17, 7 p. m.¹²

1. The Military Attaché of the British Embassy informed our Assistant Military Attaché on November 20 that contrary to earlier policy

¹⁰ See telegram No. 580, *supra*.

¹¹ See paragraph IV of communication from the Chinese Minister for Foreign Affairs to the American Ambassador in China, p. 690.

¹² *Ante*, p. 427.

the British Government has in recent months given considerable thought to the formulation of means for the granting of assistance to China, having come to the conclusion that the collapse of Chinese resistance would have a serious effect on the British position in the Far East. He said that the idea of sending a British military mission to China had been explored and abandoned for the reason that it was realized that such a mission could be of little assistance to China.

2. The informant asserted that Great Britain recognized that China's most urgent need at present is aircraft and artillery which Great Britain is now not in a position to supply. But it is hoped that it will be possible to furnish China with planes when Great Britain's aircraft production reaches higher levels; in the meantime the British plan to conduct a study of Chinese air fields with a view to ascertaining their capacities and limitations.

3. The British Attaché went on to say that the British Embassy here had cabled a recommendation to London that it be authorized to approach Chiang Kai-shek and ascertain precisely what he wishes Great Britain to do in the way of providing aid; no reply has been received although the cable had been despatched 10 days previously.

4. According to the assertion of the informant, the British Embassy in Chungking is in favor of all possible British assistance to China. Sent to the Department only.

JOHNSON

893.248/188

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] November 25, 1940.

Mr. Philip Young, Assistant to the Secretary of the Treasury and Chairman of the President's Liaison Committee, called me by telephone late this afternoon. He said that he had just concluded a very satisfactory discussion with the Chinese Purchasing Mission. He said that the Mission's misgivings in regard to the P-40 planes, which had been caused by misinformation as to the speed of those planes and fear lest they would not be found suitable for use in the high altitudes of Western China, had been removed; that the Mission had presented a list of types of planes which it hoped to be able to purchase, and that this list had included P-40s to the number of from 50 to 100.

JOSEPH C. GREEN

793.94/16344

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 26, 1940.

The Ambassador of China, accompanied by Dr. T. V. Soong, called at his request. I inquired about the situation in Asia, and the Ambassador replied that the Chinese were holding up well thus far. He stated that they urgently needed airplanes and money. The Ambassador then turned the matter over to Dr. Soong, who gave a detailed statement of the situation.

Dr. Soong proceeded to point out the disadvantage of his country continuing without fighting planes in the face of an entirely overwhelming air control by the Japanese. He said that it was discouraging to his people and to the soldiers; that it was not intended to enter upon a one or two years' aircraft program of development, but that having 400 well-trained pilots and not over 400 planes of every description, with 400 other pilots who could be trained further and well, it was all-important to have at least a reasonable number of fighting planes for these pilots to resist Japanese attacks. Dr. Soong added that Russia had sold them some planes, but that they were wholly inadequate and that China can only look to the United States at present, England being entirely preoccupied with her own necessities.

Dr. Soong then said that they needed two or three hundred million dollars for the purpose of monetary rehabilitation as a nucleus on which to base contracts for airplanes and other weapons, including anti-aircraft guns.

He said that Japan was withdrawing her troops from many areas and stationing them in central cities with a view to entering on a campaign in the South Sea countries. He seemed to feel no doubt about this purpose and plan on the part of the Japanese and gave this as a reason for Japanese troop movements and readjustments in China.

He asked that we urge Great Britain to enter some sort of special arrangements with China for the general purposes which are well known. I made no commitment on this phase.

I expressed sympathetic interest regarding the airplane situation and also regarding the question of a further monetary loan. I said that, of course, this country does not engage in any kind of alliances in wartime [*peacetime?*], much less to make commitments to send its Army and Navy into military activities abroad.

C[ORDELL] H[ULL]

893.248/194

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] November 28, 1940.

Dr. Soong came in at his request. He desired to follow up his application for a loan and for more airplanes, by handing to me a confidential communication, unsigned, from Chiang Kai-shek, to be transmitted to the President (copy attached).¹³ I shall today hand it to the President.

C[ORDELL] H[ULL]

893.248/194

*The President of the Chinese Executive Yuan (Chiang)
to President Roosevelt*¹⁴

1. During her war with China Japan has already lost 1,100,000 soldiers through deaths and invalidation by battle and disease. She is obliged to keep about 1,250,000 soldiers in China, exclusive of Manchuria. Chinese success in resisting the vastly superior equipment and resources of the Japanese army has been due to deliberate strategy of yielding ground whenever unavoidable but without ever allowing the army to break, and the employment of intensive guerrilla warfare so that the enemy is bogged down in China.

2. Japan now realizes that it is not possible to crush the Chinese armies and is withdrawing troops from China for her southward advance into Indo-China, the Dutch East Indies, and Malaya. She is more than anxious to conclude an "easy" peace with China, because in the event of final victory over the British Empire any favorable peace terms with China could be renounced. Germany is of course trying to mediate between China and Japan.

3. After three and a half years of destructive warfare Chinese people and army are feeling the exhaustion because (1) with the loss of their richest territory and sources of revenue, and being obliged to keep in the field a regular army of 2,500,000 men with 2,000,000 guerrillas, their financial and economic situation is rapidly growing worse. Internal prices have risen seven or eight fold and uncontrolled inflation is directly upon China, unless substantial outside assistance is immediately forthcoming; (2) Chinese national resistance has been sustained under greatest adversities due to belief that the democracies will eventually win the war. The collapse of France, the surrender of the little countries by default, and the continued success of German

¹³ *Infra.*

¹⁴ Unsigned and undated memorandum handed on November 28 by T. V. Soong to the Secretary of State for transmission to President Roosevelt.

arms tend to shake this belief. (3) In the air the Chinese army in the beginning relied on American machines, and in the second and third years of the war on Russian planes. These were well handled and with the manifest advantages of interior lines, despite overwhelming superiority of the Japanese air force in numbers some resistance in the air had been maintained. Russia has stopped sending planes, and since September this year Japanese planes are much superior in quality as well as in absolute numbers, so that today no existing Chinese planes could take the air. The effect of constant bombing on the Chinese troops, and especially on the civilians in the principal cities, without the possibility of any defence, is telling on the general morale.

4. In the present military situation by concentrating on a few strategic centers in China the Japanese could withdraw a large portion of their army and transports, because the hardy and seasoned Chinese army could not counter-attack well fortified areas without air-support. With air-support on a moderate scale they could easily recapture Canton and Hankow, and oblige the Japanese to retain their forces in China. As experience has shown, operating on interior lines an air force of say 500 planes will certainly contain an enemy air force of four times their number. In addition, the presence of this striking force, which could be based on Chinese air fields near the coast would, by its threat to Japan proper, Formosa, and their newly acquired base in Hainan, act as a most effective deterrent to Japanese designs on Singapore and Dutch East Indies.

5. This Special Air Unit need not exceed 200 modern bombers and 300 pursuits but must be adequately manned and staffed, and above all serviced by requisite mechanics and ground organisation. While Chinese pilots and mechanics are available in part, it is clear that for the greatest efficiency personnel from the British and American Training Centers should be drawn upon, these foreign pilots forming a Special Air Unit. Special consideration must be given to the status of this force, according to the political development of the situation in the Far East.

This air force should be created at once so as to be assembled in China ready to operate before the start of the Japanese Spring offensive on Singapore.

6. Planes could be assembled in Rangoon or India and flown to air-bases in China, or transported by water from Rangoon to the Chinese frontier and assembled there. There are 136 airfields* available in China, more than half of which are in excellent condition, and all serviceable for both bombers and pursuits. Several of these airfields are

* If desired a confidential map could be furnished showing the location of these airports. [Footnote in the original.]

within 650 miles from Japan; and they are so located that they are not easily vulnerable to army attacks. Japanese garrisons are nowhere in proximity and land attacks would require in most cases the concentration of several divisions over extremely difficult terrain without communications, thus leaving adequate time for defence or for transfer of menaced airbases.

The Special Air Unit could operate in conjunction with the Chinese army which so supported could effectively take offensive actions against Canton, to relieve Hongkong; against Hankow to clear the Yangtze Valley; or again the Unit could operate independently in attacking Japan proper, Formosa and Hainan.

According to the political strategic necessities of the war in Asia and Europe it will be possible to take a decision as to the advisability of carrying the air war into Japan proper. One should not be dogmatic as to the reaction bombing will have on Japanese psychology but every day evidences accumulate of growing internal dissensions in Japan and the severe strain and privations the Japanese people are put to by the prospect of a war without end, when at the beginning of their Chinese adventure they were told that hostilities would only last a few months.

7. The organization and equipment of this Special Air Unit would require fully some three months of intense effort on this side as well as in China. The decision to create the Unit should therefore be taken within the next two weeks if operations are to start in the critical Spring of 1941.

General Chiang Kai-shek is laying all the relevant considerations before the British and U. S. A. Governments as frankly as the gravity of the situation and his responsibility make it incumbent upon him, and he most earnestly renews his request for prompt decision; in this he is of course animated by complete identity of purpose in the common struggle for independence and democracy.

893.51/7186

*The British Foreign Office to the British Embassy*¹⁵

[LONDON,] November 21, 1940.

In a recent series of telegrams repeated to you Sir A. Clark Kerr¹⁶ has transmitted an appeal by Chiang Kai-shek for closer Anglo-Chinese-American co-operation and help in his country's resistance to Japanese aggression. In a preliminary reply he has been told that

¹⁵ Copy of telegram transmitted to the Adviser on Political Relations (Hornbeck) by the British Ambassador on November 30.

¹⁶ British Ambassador in China.

his request is being sympathetically considered, and that we are ready to discuss with him and with United States Government the whole problem of our mutual interests.

2. We understand a similar appeal has now been addressed to United States Ambassador in China. When United States Government has had time to consider the proposals made by Chiang Kai-shek, we shall wish to discuss them with them. Particulars of our provisional reactions are as follows.

3. We assume that we cannot expect that United States will take a definite commitment at this stage and that a full-blown alliance is ruled out. An Anglo-Chinese alliance would not serve the same purpose and its effect on Japan would be out of proportion to its utility. It may be possible to make some declaration on the lines suggested by Chiang Kai-shek either by parallel or joint action, but as the declaration proposed, except in regard to giving utmost help to China, covers ground already covered by various statements made by United States Government and ourselves, we think it better to work out in the first place such concrete help to China as may be feasible.

4. So far as we are concerned we have to consider the matter in the light of our own war effort and risk of provoking of Japan unnecessarily or prematurely into war. We think that our help should be as extensive as may be compatible with these two considerations, which however make it necessary to proceed carefully and by stages.

5. Loans as large as those mentioned by Chiang Kai-shek are out of the question. The Treasury's view is that since China is long of sterling at present, to give her more sterling unconditionally would result in increased sales of sterling on Shanghai market and a fall in sterling-U. S. dollar rate there, which would result in increased evasion of our control in case of Shanghai to the detriment of our exchange position. This would also react on Chinese dollar.

6. The Treasury therefore contemplates making in agreement with the Chinese government, arrangements under which sterling held by Chinese residents will be available only for expenditure in sterling area. If this can be done, financial assistance could be given to China without weakening our exchange position. Subject to this condition, the idea we have in mind is to make a further advance to stabilise the fund, not exceeding £5,000,000 and to agree to export credits for Chinese requirements in sterling area within a maximum (according to the extent to which they can be met) of £5,000,000.

7. It had been suggested by Chinese Ambassador that T. V. Soong should visit London to discuss the consequences of currency stabilisation semi-officially and also (as Chairman of the Chinese National Resources Commission) the needs of China for commodities available

in sterling area. We are now informed by Chinese Ambassador that Chinese Government wish T. V. Soong to remain in United States for the moment. But a visit by T. V. Soong would, we think, be very valuable and we propose discussion of this point further with Chinese if Sir A. Clark Kerr concurs.

8. If financial assistance is granted to China, we may be prepared to consider sending an economic mission or appointment of individual technical experts but do not think this should precede concrete help.

9. We are [?"not" omitted]¹⁷ likely to be able to furnish any Chinese requirements in armaments but we are examining this point, and we do not consider it desirable to despatch a full military mission at this time. We are however preparing plans for one in the event of hostilities and are proposing as an immediate step to replace our present military attaché in China by a more senior officer and to expand his staff.

10. With a view to detailed discussion with United States Government as soon as they are ready, you should inform State Department of our general views as outlined above. Dominions are being consulted and until their views are known the above represents only our tentative opinion and you should make this clear. Financial Adviser should take an opportunity to explain the position to the Secretary of the Treasury as regards financial assistance and particularly the condition which we attach.

793.94/16348 : Telegram

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

CHUNGKING, December 1, 1940—5 p. m.

[Received midnight.]

596. 1. I went this morning to call on Chiang Kai-shek at his request. While with him I took the opportunity of communicating to him the substance of the Department's 196, November 23, 7 p. m.¹⁸ He thanked me for the message and commented that he had seen no sign of improvement in German-Russian or in Russo-Japanese relations since Molotov's trip to Berlin but believed that on the contrary there had been a slight deterioration in the relationships of the countries concerned. The General then made the significant statement that during the past 2 weeks the Soviet Russian attitude vis-à-vis China "had changed for the better".

2. The Generalissimo said that he was much gratified to learn of President Roosevelt's action in granting a further credit of \$100,-

¹⁷ Brackets appear in the original.

¹⁸ Printed in vol. 1, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

000,000 to China¹⁹ and Secretary Hull's announcement to the press that the United States would continue to recognize the legally constituted Government at Chungking and remarked that the United States had shown its true friendship by extending a helping hand at a time when China is in critical need of assistance.

3. In a brief discussion of the Japanese action in recognition of the Wang regime,²⁰ General Chiang remarked it is his belief that the act was the result of German instigation and that without German persuasion Japan would not have recognized the Nanking organization. He then expressed the opinion that the Germans and the Japanese "must have a military plan for the carrying out of Japan's policy of southward expansion" and that Japan may be expected to make a move in the region of the South Seas in the near future.

4. Chiang then requested that I transmit a message whether it would be possible for the American Government to make a formal announcement of its intention not to recognize the puppet regime at Nanking, remarking that if the American Government would issue such a pronouncement and incorporate in it the principles which he had recently communicated to the Government of the United States (see (a) paragraph numbered 3 of my 568 November 9, 5 p. m.) such action would prove of great benefit. I replied that I would transmit his request to the Secretary of State and I added that as soon as I received the text of the statement the Secretary of State is reported to have made to members of the press in regard to the intention of the American Government to continue to recognize the Chinese Government at Chungking I would expect to communicate it to him.

5. In reply to an inquiry from the General, I informed him that apart from the two messages already communicated to him I had received nothing further in response to the proposals recently advanced by him to the American Government.

6. He also inquired if I had received information in regard to any views that the British Government may have expressed to the American Government respecting his proposals. I replied that I had no information on that subject. He then suggested that if the American Government could see fit to urge the British Government to take a constructive position it might prove helpful. I concluded the conversation by saying that I would communicate his suggestions to my Government.

Sent to the Department only.

JOHNSON

¹⁹ See President Roosevelt's statement of November 30, Department of State *Bulletin*, December 7, 1940, p. 521.

²⁰ See telegram No. 128, November 30, 11 a. m., from the Second Secretary of Embassy in China, p. 454.

893.24/979: Telegram

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

CHUNGKING, December 2, 1940—1 p. m.

[Received December 2—6:20 a. m.]

598. 1. The Chief of the Chinese General Staff, General Ho Ying-chin, recently approached our Assistant Military Attaché informally, saying that he had heard that following the World War France had sent a quantity of artillery to the United States in partial payment of the French war debts and that he therefore desired to ascertain whether it would be possible for China to purchase some of this artillery, particularly 75's and mountain guns, the number of pieces to be purchased, if available, being dependent on the price at which they could be obtained.

2. When I saw General Ho about 3 weeks ago he mentioned that the Chinese Army is in urgent need of the types of artillery referred to above.

3. I assume that if the Chinese authorities are seriously interested in the purchase of artillery equipment in the United States they will instruct their representatives in Washington to approach the appropriate American quarters in the matter. However, if the Department could see fit to ascertain whether equipment of the types mentioned is in fact available for sale to China, I should be glad to communicate that information to General Ho.

JOHNSON

893.77/3322

*Dr. Arthur N. Young to the Adviser on Political Relations
(Hornbeck)*²¹

TRANSLATION OF TELEGRAM FROM DR. H. H. KUNG, CHUNGKING,
DECEMBER 3, 1940

The construction of the Yunnan-Burma Railway was suspended for some time on account of difficulties in importing the necessary materials as a result of the situation in Indo-China and Burma. As this Railway is the most important line of communication between China and foreign countries, it is essential to hasten its completion as soon as possible in order to facilitate transportation.

It has been reported that Great Britain also attaches the utmost importance to this Railway and is considering a loan to China of £s4,000,000 for completing its construction; and that the British Ambassador in the United States has approached the American Government for its views on the matter. Great Britain is thus desirous

²¹ Handed to the Adviser on Political Relations by Dr. Young on December 5.

of concerted action by the United States. If the project is supported financially by Great Britain and the United States, construction work should be resumed at once. According to the estimates of experts, however, the loan will have to be increased to £s5,000,000 to meet the necessary expenditures.

Ambassador Quo Tai-chi has been instructed to negotiate with the British Government. Please call the attention of the American Government to the importance of the Yunnan-Burma Railway in relation to China's war of resistance, and seek its support in bringing about the early completion of the railway.

893.248/208½

The Department of State to the Chinese Embassy ²²

During recent months the Department has received from many sources a variety of broad statements on the subject of Soviet Russian-Chinese relations and especially the subject of Soviet aid to China. Scrutiny of Chinese statements alone discloses great discrepancy and some plain contradictions. Department would welcome the most authoritative information possible on these points: Has Russian material aid to China been during recent months effectively suspended or discontinued; if not, in what respects has such aid been given; is material aid moving now from Soviet Russia to China; if so, in what forms and amounts; what are the prospects in this field for the future.

We realize that the highest Chinese authorities may be reluctant to give information on these points, and we do not wish unduly to press the matter; but in view of the conflicting character of information which has come to us from many sources both official and unofficial and of statements which are publicly current in this country, we feel that it would be helpful to us to have a more certain understanding of the facts than is now ours.

893.248/209½

The Department of State to the Chinese Embassy ²³

ORAL STATEMENT

1. This Government has recently taken steps toward making available to China within the comparatively near future fifty modern

²²The Adviser on Political Relations (Hornbeck) and the Chief of the Division of Far Eastern Affairs (Hamilton) spoke in the sense of this oral statement in conversation with the Chinese Ambassador (Hu Shih) and Dr. Soong on December 4 and asked them to inform their Government "of our hope that we might be better informed on the subject of Soviet aid to China."

²³The Chief of the Division of Far Eastern Affairs (Hamilton) and the Adviser on Political Relations (Hornbeck), under instruction, talked in the sense of this statement in conversation with the Chinese Ambassador (Hu Shih) and Dr. Soong on December 4.

military aircraft and is giving its best thought and attention to the problem of making a substantial additional number of airplanes available as soon as practicable.

On November 30 the President announced that this Government contemplated a credit to the Chinese Government of \$100,000,000.

The action with regard to airplanes and the action with regard to credits were not easy to arrange. Their accomplishment presented very real difficulties and sacrifices. They constitute solid and very substantial assistance to China. Their importance will be recognized by all.

2. The Chinese Government is aware that it is a traditional policy of the United States to avoid entering into alliances or entangling commitments.

With regard to the question of a British-Chinese alliance, it is difficult to see how this Government, in the light of its traditional policy, could appropriately assume any initiative in regard to any such alliance. The question of entering into such an alliance is obviously a matter essentially for decision by the British and the Chinese Governments.

3. With regard to the question of American aviators' proceeding to China, Sections 21 and 22 of Title 18, U. S. Code, provide penalties for entry or the hiring of others for entry into the armed forces of a foreign state when such acts are committed within the territory or jurisdiction of the United States, but there is no penalty in the general laws of the United States where citizens of the United States go abroad and while abroad enter the armed forces of a foreign state. Moreover, the question of the liability of young men (and perhaps particularly aviators trained in war flying) to service in the armed forces of the United States under the Selective Service Law²⁵ would presumably have to be considered and disposed of prior to the departure from the United States of American aviators for service in foreign countries.

The Department of State would probably issue passports to American citizens who desire to proceed to China for the purpose of serving as aviation instructors.

4. With regard to the question of the issuance of an official statement setting forth the principles to which this Government is committed in relations with the countries of the Far East, a draft statement of this character was prepared for consideration and for possible issuance on the day when Japan signed a treaty with the regime at Nanking (November 30).²⁶ If it had not been possible to announce

²⁵ Approved September 16; 54 Stat. 885.

²⁶ For text, see *Foreign Relations*, Japan, 1931-1941, vol. II, p. 117.

on November 30 the extension to China of the \$100,000,000 credit, further consideration would have been given to the question of issuing such a statement on that day. When it developed that announcement of the credit on that day was feasible, it was decided, for various reasons, including the undesirability in our opinion of according undue attention to Japan's action in signing a treaty with the Nanking regime, that it seemed preferable not to issue any new public statement relating to the attitude and position of this Government. The Secretary of State at his press conference on that day replied to inquirers by referring them to the public statement which he had made on March 30²⁷ at the time of the setting up of the Nanking regime. The statement of March 30, it will be recalled, states categorically that the Government of the United States continues to recognize the National Government of the Republic of China with capital now at Chungking as the Government of China. The principles in which the American Government and the American people believe and their attitude and position toward the Far Eastern situation have been made clear repeatedly in official statements. They are well-known to the whole world. The action taken by the Government of the United States in announcing on November 30, the day when the Japanese signed a treaty with the Nanking regime, the contemplated extension of a \$100,000,000 credit to the Chinese Government, constitutes unmistakable and emphatic evidence that the Government of the United States recognizes as the Government of China the Government now functioning at Chungking and that the Government of the United States continues to adhere firmly to its often declared attitude and position with regard to the Far East.

The present is a time when in our opinion actions are more important than words. We believe also that in many instances the most effective and desirable results are likely to be achieved by permitting the actions to speak for themselves.

5. As indicated above, the question of endeavoring to make it possible for the Chinese Government to purchase in this country an additional and substantial number of airplanes is receiving our best attention. This will not be an easy matter to arrange. The needs are many and great, and the supply is not sufficient to meet all demands. However, there is sincere appreciation of the position of the Chinese Government, and the Chinese Government can rest assured that there is earnest intention on the part of the American Government to do everything it appropriately and practicably can.

The appropriate officers and agencies of this Government will, of course, be glad to continue to discuss with the Chinese Ambassador

²⁷ See *Foreign Relations, Japan, 1931-1941*, vol. II, p. 59.

and Mr. T. V. Soong such other aspects of the suggestions made by Chiang Kai-shek as are not covered by the comments made above.

6. It is requested that the substance of the foregoing be communicated by the Chinese Ambassador and Mr. T. V. Soong to their Government.

894.00/971 : Telegram

The Secretary of State to the Chargé in France (Matthews)

WASHINGTON, December 4, 1940—8 p. m.

798. Your 1039, November 26, 9 p. m.²⁸ last paragraph. Based upon such information as is now available, we would be skeptical of accepting as definitive any statement that Soviet aid to China has ceased. It appears to us that the question of Soviet aid to China is on a day-to-day basis; and that for various reasons the kind and extent of such aid vary from time to time. There also seem to be more indications that such aid is likely to increase during the next few months than there are indications to the contrary.

It would also appear that, although Soviet-Japanese discussions in regard to a possible pact are continuing intermittently, substantial difficulties exist in the way of an early agreement.

HULL

893.51/7181

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

[WASHINGTON,] December 7, 1940.

In the course of a conversation this morning, Lord Lothian informed me in confidence that the British Government has informed the Chinese Ambassador in London that the British Government will advance £5,000,000 for further support of Chinese currency and will make for China a credit of £5,000,000 for the making of purchases within the sterling area. The British Foreign Office has inquired of the Ambassador whether he would consider December 10 an opportune moment for making public announcement of this decision. The Ambassador remarked to me that it seemed to him "the sooner the better," and he asked my opinion. I replied that I perceived no objection to the date December 10 or any time between now and then.

S[TANLEY] K. H[ORNBECK]

²⁸ Not printed.

893.24/979 : Telegram

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

WASHINGTON, December 7, 1940—4 p. m.

201. Your No. 598, December 2, 1 p. m. The War Department has, during the past year, declared surplus and sold to foreign purchasers all of the artillery referred to in your telegram which is fit to be used.

All of the interested authorities of this Government are endeavoring to facilitate in every way compatible with our own defense needs, purchases of armament in this country by the Chinese Government and will endeavor to assist that Government to purchase artillery here when and if the question is raised by the Chinese representatives in Washington.

HULL

793.94/16348 : Telegram

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

WASHINGTON, December 10, 1940—5 p. m.

202. Your 596, December 1, 5 p. m., and previous. On December 4 officers of the Department, under instruction, made informal comment to the Chinese Ambassador and Mr. T. V. Soong²⁹ on various of the points raised by Chiang Kai-shek. The Department will expect to send you by air mail a more complete account. Also, some discussion of the said points has taken place in conversations between officers of the Department and officers of the British Embassy.³⁰

The Department authorizes you in your discretion to inform the Generalissimo either directly or indirectly through an appropriate channel of any part or all of the above.

HULL

893.248/2081

*The Chinese Embassy to the Department of State*³¹

Soviet material assistance to China is based on credit agreements in the form of exchange of goods. Recently the Soviet Government, in view of Japan's failure to effect peace and China's determined resist-

²⁹ See oral statement on December 4, p. 705.

³⁰ See memorandum by the Adviser on Political Relations (Hornbeck), December 7, p. 708.

³¹ Handed on December 14 to the Adviser on Political Relations (Hornbeck) by the Chinese Ambassador (Hu Shih) as being a paraphrase of a message which the Chinese Ambassador had received from the Chinese Government in reply to inquiries made by the Department on December 4.

ance, has on several occasions assured Generalissimo Chiang Kai-shek of its willingness to continue the delivery of materials in fulfillment of the credit agreements, including field guns, machine guns, etc. However, only a small number of airplanes are forthcoming and the Chinese Government has not been informed of the exact quantity of the supplies or the dates of delivery.

Soviet Representatives at the same time have asked for information as to the result of negotiations for supplies of military equipment and materials from America, and expressed the hope that the United States might extend to China her fullest measure of assistance.

Soviet aid to China therefore tends to become more positive in the future and will be closely related to the attitude of the United States.

[WASHINGTON,] December 11, 1940.

893.51/7183

*The President of the Chinese Executive Yuan (Chiang)
to President Roosevelt*³²

[CHUNGKING,] December 12, 1940.

MR. PRESIDENT: At this crucial moment for China when Japan formally recognized its puppet organization in Nanking, your generous and timely announcement of a substantial loan to China has infinitely increased China's powers of resistance, strengthened its social and economic structure, and enhanced the confidence of the army and people in its final victory over the aggressor.

It is the deep and widespread conviction of my countrymen that the solution of the Far Eastern situation and the establishment of lasting peace could only be brought about by the pursuit of the far-sighted policy and lofty ideals in which the world has looked upon you as its great leader. Peace and reconstruction in the Pacific will require the cooperation and common endeavor of the United States and China, and it is my sincere hope that you will constantly give us your counsel and guidance.

In connection with the proposals for an air force for China to prevent the spreading of the war to Southern Asia, and to accelerate its termination, which I entrusted to Dr. T. V. Soong to communicate to you, I should be grateful if in view of the urgency of the situation you could indicate to him your views on these grave matters as soon as possible.

Please accept [etc.]

CHIANG KAI-SHEK

³² Translation of telegram transmitted to the Department by President Roosevelt on December 23.

893.248/210

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

[WASHINGTON,] December 14, 1940.

The British Chargé d'Affaires ³³ called to see me at his request.

Mr. Butler referred to the suggestion made by Dr. T. V. Soong for the creation of a British-American air force to operate in China in the interest of the Chungking Government. I stated that this Government had under contemplation the sending of technical aviation advisers, both pilots and mechanics, to China and that it seemed to me that here again, for political as well as practical reasons, it would be wiser for the two Governments to take parallel action rather than joint action. With this Mr. Butler seemed to be in entire accord. I stated that one of our real difficulties at the moment is the fact that the Chinese are not satisfied with the type of plane which the United States could offer them at this moment and desire only the most modern planes which are being turned out in this country. I said this was due to the development by the Japanese of a faster modern plane than that which had previously been employed. I stated that this problem was one which was receiving the immediate consideration of the General Staff of the United States Army as well as the Chief of Naval Operations of the United States Navy.

S[UMNER] W[ELLES]

893.51/7170

*The President of the Chinese Executive Yuan (Chiang) to the
Secretary of State*³⁴

CHUNGKING, December 12, 1940.

I feel deeply grateful for the practical measures which President Roosevelt and yourself have adopted in order, on the one hand to aid China, and on the other, to suppress the aggressor. The loans recently announced in Washington is another evidence of the readiness on the part of the United States to sustain China in her struggles for complete national independence. Every further step which the United States takes in regard to the Far Eastern situation tends to increase the sense of gratitude of the Chinese people towards the United States, and at the same time strengthens their determination to fight on till final victory is won.

I wish to take this opportunity to express to you my sincerest thanks.

³³ Neville M. Butler.

³⁴ Translation of telegram sent to the Secretary of State by the Chinese Ambassador in a covering letter dated December 16. In this letter the Chinese Ambassador expressed his desire "to join in the sentiments expressed in the General's telegram."

893.248/190

*The President of the Chinese Executive Yuan (Chiang) to the
Secretary of the Treasury (Morgenthau)* ³⁵

CHUNGKING, December 16, 1940.

Most grateful for your message.³⁶ Although the Italians are hard pressed we have information from sources of proved reliability that the Axis Powers are going through with their plan of synchronized attempts to take Gibraltar, the Suez and Singapore in the Spring.

In order to cope with the threat on Singapore it is necessary for us to carry the war into Japan proper. For that purpose I am most anxious to acquire as many of your latest Flying Fortresses as you could spare, which from our air bases could effectively bomb all the vital centers of Japan, and harass their fleet and transports. The effect of this upon the Japanese people who are already much divided and dispirited will certainly be far reaching.

The Flying Fortresses should be complemented by a proportionate number of pursuits and medium bombers, so that the air force thus constituted could also support the counter-offensive which I am preparing with a view of retaking Canton and Hankow, and of forcing the Japanese to recall their troops, transports and airplanes from the contemplated attack on Singapore, the safety of which is as vital to us as to the British.

I earnestly hope you will support me in presenting these views to President Roosevelt so that a decision will be made in time for us to block the Japanese move.

CHIANG KAI-SHEK

893.248/223

*The Chief of the Division of Far Eastern Affairs (Hamilton) to
the Adviser on Political Relations (Hornbeck)*

[WASHINGTON,] December 23, 1940.

As requested by you, I asked Dr. Arthur Young to call with a view to obtaining such information as he might be in position to furnish on the subject whether the Chinese Aviation Mission in this country and Mr. T. V. Soong had taken any concrete steps toward obtaining the services of American citizens in reference to Chinese aviation matters.

Dr. Young came in on December 20. He told me, in reply to my inquiries, that he knew that Colonel Chennault ³⁷ had very much in mind the question of obtaining the services of qualified Americans;

³⁵ Translation of telegram transmitted to the Department by President Roosevelt on December 23.

³⁶ Not found in Department files.

³⁷ Claire L. Chennault, American aviator.

that Colonel Chennault did not wish to take any action which would be embarrassing to this Government; and that, so far as he (Dr. Young) was aware, neither Colonel Chennault nor the Chinese had taken any definite steps in the matter. I referred to my understanding that a number of months ago officers of the War Department had informally made available to the Chinese Embassy here a list of Americans qualified in aviation matters.

My discussion with Dr. Young related solely to Americans who might go to China as instructors or mechanics. I told Dr. Young that I was making no suggestions, was not pressing the matter, but would appreciate any further information which he might obtain as to how Colonel Chennault's and the Chinese Aviation Mission's thoughts might be turning on the subject. I indicated that, if Dr. Young should obtain further information, I would appreciate it if he would drop in at the office and communicate it orally to us. Dr. Young said that he would be glad to keep this in mind.

During the conversation Dr. Young said that he thought that the question of priorities would be very important. He said that, of course, in view of the armament program in this country there was an unusual and heavy demand for the services of persons expert in matters relating to aviation.

M[AXWELL] M. H[AMILTON]

898.796/287 : Telegram

*The Ambassador in China (Johnson) to the Secretary of State*³⁸

CHUNGKING, December 27, 1940—10 a. m.

[Received December 27—7 : 15 a. m.]

636. The National Resources Commission of the National Government of China has been discussing with W. L. Bond, representative in China for Pan American Airways through the latter's interests in China National Aviation Corporation the question of flying out wolfram ore from China to Hong Kong. It is understood that all or practically all of China's production of wolfram ore has been purchased by the Metal Reserve Company of the Reconstruction Finance Corporation which is buying on behalf of the American Government.

At present the only practical means of export is via the Burma Road and as the larger part of the ore is produced in Kiangsi and Hunan this route is difficult. Furthermore the capacity of the Burma Road is limited and is probably already overloaded.

³⁸ Paraphrase of this telegram was transmitted by the Department on December 27 for comment to the Metals Reserve Company of the Federal Loan Agency.

I have been approached by Doctor Wong Wen-hao, head of the National Resources Commission, through the Peking Syndicate with the request to approach the United States Government as to whether, if it is interested in obtaining larger supplies of wolfram in the near future it would consider cooperating in the matter of air transport in two ways: firstly, financially and secondly, by permitting the planes engaged in this business to fly under the American flag. I understand that to make the proposition of air transport possible as [a?] subsidy of at least United States \$100 per ton would be necessary. Bond quotes United States \$600 per ton for the round trip from Hong Kong to Hengyang or Kweilin and this is a large figure particularly as it is difficult to find return freight of sufficient value.

Bond states he could transport immediately 100 tons per month minimum and between 300 and 500 tons per month within 6 months.

I respectfully suggest, unless objection is perceived, that the Department bring this matter to the attention of the appropriate authorities of the American Government for their consideration and reply.

JOHNSON

893.248/191 : Telegram

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

CHUNGKING, December 28, 1940—noon.

[Received December 28—9: 33 a. m.]

640. My 563, November 7, 11 a. m., Russian aid to China. According to reliable sources, the Chinese Government has received some new type of manufactured pursuit planes known as the "E-17"; the number of such planes received was not divulged. The same sources revealed that Russian volunteers decided not to accompany the new craft but that they are being piloted by Chinese pilots.

JOHNSON

893.24/1034

Memorandum of Conversation, by the Chief of the Division of Controls (Green)

[WASHINGTON,] December 28, 1940.

Colonel MacMorland of the Army and Navy Munitions Board called me by telephone this morning. He said that the Chinese Military Attaché had called at the War Department and had requested that the Chinese Government be permitted to purchase from this Government one hundred twenty 75-mm. guns with ammunition therefor.

The Colonel said that the War Department had no surplus 75-mm. guns; that he did not believe that, in the ordinary course of events, any of these guns would be declared surplus within the next year or so; but that the matter was being referred to the Secretary of War and that there was, of course, a possibility that some of these guns might be declared surplus if the policy of this Government made it advisable that the Chinese Government be permitted to acquire them. He added that, if the Chinese were to endeavor to purchase these guns from private manufacturers, they could not possibly be delivered until the spring of 1942.

JOSEPH C. GREEN

893.248/190: Telegram

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

WASHINGTON, December 31, 1940—4 p. m.

219. Please communicate the following message from the President to General Chiang Kai-shek:

My dear General Chiang: I have your telegram of December 12. I and other officers of this Government have been and are giving close and sympathetic attention to the situation in the Far East with a view to continuing to proceed along the lines of our announced policies. The Chinese Ambassador and Mr. T. V. Soong have been in frequent communication with various officers of this Government. Recently, following the taking of solid steps of assistance to China (including large-scale loan and credit arrangements), officers of the Department of State discussed with Dr. Hu and Mr. Soong various aspects of the matters mentioned in your telegram, and you may be assured that it is our earnest intention to do everything we appropriately and practicably can. Franklin D. Roosevelt."

HULL

**EFFORTS BY THE UNITED STATES AND OTHER POWERS TO PROTECT
CHINESE CUSTOMS AND OTHER REVENUES, PLEDGED AS SECURITY
FOR LOANS, FROM JAPANESE ENCROACHMENT***

893.002/960: Telegram

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

SHANGHAI, January 6, 1940—2 p. m.

[Received January 6—9: 18 a. m.]

15. The death occurred recently of the British subject serving as Coast Inspector in charge of the important Marine Department of the Chinese Maritime Customs which controls the lighthouse, pre-

* Continued from *Foreign Relations*, 1939, vol. III, pp. 800-867; see also *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 751-754.

ventive and harbor services throughout China. The next ranking officer in the department is Captain F. L. Sabel, a naturalized American citizen of Finnish birth who has served some 25 years in the department. Inspector General of Customs ⁴⁰ directed the promotion of Sabel to head the department. The Japanese chief Secretary of the Customs whose duty it is to issue the order of appointment has withheld doing so, indicating that the Japanese authorities desire the appointment of a Japanese to the post, and I am reliably informed that Japanese officials have approached the Inspector General of Customs insisting upon appointment of a Japanese outside of the service but Inspector General has declined to agree, insisting that Sabel is the logical man by training, experience, efficiency and seniority to head the department.

In a personal conversation this morning with Kato, Japanese Minister at Large, I mentioned to him that I had just received a report that the Japanese authorities were interfering with the appointment in question and am proceeding to verify the facts and if the report is correct he will realize that the matter is one of much concern to us as involving the integrity of the Chinese Maritime Customs in which the American Government has repeatedly expressed its interest. Kato said he had no information but would look into the matter.

I trust that this unofficial and friendly approach to Kato may be effective, but, if not, I am disposed to recommend that the Department and Embassy at Tokyo take action. The facts are as outlined in the first paragraph of this message. If the Japanese pressure persists, the Inspector General of Customs will probably report the situation to the interested foreign representatives. It is of the utmost importance to all foreign interests that the Marine Department of the Customs remain under competent and disinterested direction.

Repeated to Tokyo, Chungking and Peiping.

GAUSS

693.002/960 : Telegram

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

WASHINGTON, January 10, 1940—6 p. m.

16. Reference Shanghai's 15, January 6, 2 p. m., in regard to Japanese interference, in the matter of an appointment, with the administration of the Chinese Maritime Customs.

If the approach made by the American Consul General at Shanghai proves not effective the Department desires that, unless you perceive

⁴⁰ Sir Frederick Maze.

objection, you approach the Japanese Foreign Office along the lines of the second paragraph of the telegram under reference.

Shanghai should continue to keep the Department and you informed of any developments in the matter.

Sent to Tokyo via Shanghai. Repeated to Peiping and Chungking.

HULL

693.002/984

*The Consul General at Shanghai (Gauss) to the Ambassador in Japan (Grew)*⁴¹

SHANGHAI, January 20, 1940.

SIR: With reference to my despatch of January 13, 1940,⁴² I have now the honor to report that the Japanese interference in the matter of the appointment of Captain F. L. Sabel, an American citizen of Finnish birth, to head the Marine Department of the Chinese Maritime Customs, appears to have abated and the order of the Inspector General of Customs appointing Captain Sabel as Acting Coast Inspector has been duly promulgated and Captain Sabel has assumed his duties. I should mention here that it is the practice in the Chinese Maritime Customs to make the initial appointment in an "Acting" capacity; the substantive appointment usually follows later more or less as a matter of course.

The Japanese, according to my information, have also relaxed their pressure for a "compromise" arrangement in the nature of the appointment of a Japanese as "Co-Inspector". I understand that proposals have been made for the appointment of Japanese to other key positions in the Marine Department, but these proposals are not being pressed vigorously at this time.

The assignment of Captain Sabel to head the Marine Department undoubtedly results from the firm refusal of the Inspector General to yield to Japanese pressure for the appointment of a Japanese, and the early intervention of this Consulate General through the Japanese Minister-at-Large, Mr. S. Kato, to check the Japanese interference with the Sabel appointment before the Japanese should have advanced their demands in the matter to a point where as a matter of "face" they would have been unwilling to recede from their position.

It may be of interest to record that while Captain Sabel is an American citizen, registered at this Consulate General, he was unknown to me; he is a quiet, retiring person, not widely known in the American community. I was not aware that an American was serving as Deputy Coast Inspector in the Marine Department of the Customs. Captain

⁴¹ Copy transmitted to the Department by the Consul General at Shanghai in his covering despatch No. 2842, January 20; received March 7.

⁴² Not printed.

Sabel's appointment to head the Department was made by the Inspector General of Customs on the basis of seniority, experience and fitness for the post. Captain Sabel did not make himself known to me until after his appointment had been held up by the Japanese Chief Secretary of the Customs, and after I had intervened with Minister Kato following the receipt by me of information from an authoritative source as to what was taking place to interfere with the appointment.

Respectfully yours,

C. E. GAUSS

693.002/972 : Telegram

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

TOKYO, January 26, 1940—6 p. m.
[Received January 27—2:15 a. m.]

54. Reference Shanghai's despatch No. 2770, December 21, 1939,⁴³ taxation of imports and exports by Swatow Rehabilitation Commission: tax on postal parcels entering Swatow.

My British and French colleagues have informed me recently that they are instructed to make representations to the Foreign Office if and when I am similarly instructed. The Department's instructions are respectfully requested.

GREW

693.002/971 : Telegram

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

WASHINGTON, February 3, 1940—2 p. m.

46. Your 54, January 26, 6 p. m. The Department desires that you approach the Japanese Foreign Office and make appropriate representations against the illegal and unwarranted action of the Swatow Rehabilitation Commission in collecting taxes on imports and exports and upon postal parcels entering Swatow. The Department also authorizes you, in your approach to the Japanese Foreign Office, to recall the interest which this Government has frequently manifested in the preservation of the integrity of the Chinese Maritime Customs and to make appropriate representations in regard to the continued refusal of the Japanese authorities to allow the Chinese Maritime Customs to function at Swatow while in fact opening the port to the trade of Japanese merchants and allowing Japanese-sponsored authorities at that port to collect import and export taxes.⁴⁴

⁴³ Not printed.

⁴⁴ For the Ambassador's note No. 1474, February 6, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 753.

Sent to Tokyo via Peiping. Repeated to Shanghai, Swatow, and Chungking.

HULL

693.002/982 : Telegram

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

CHUNGKING, March 7, 1940—noon.

[Received March 7—10:20 a. m.]

115. Department's 28, February 29, 3 p. m.,⁴⁵ customhouses at Chinkiang and Nanking. On March 6, 3 p. m., I orally informed the Minister of Finance of the substance of the informal statement set forth in the telegram under reference.

The Minister in reply made the comment that among the parties concerned China was naturally foremost in being anxious to maintain the administrative independence and integrity of the customs and at the outset of the hostilities had made the suggestion that the revenues collected by the customs in territories occupied by the Japanese be deposited in neutral custody, that loan obligation be met therefrom and that the balance be immobilized until the end of the hostilities. This suggestion was not adopted and furthermore the British acting without any authorization from the Chinese Government came to an arrangement with the Japanese whereby such revenues were deposited in a Japanese bank on the understanding that the Japanese would hand over loan quotas for payment to holders of China's obligations. He informed me not only had the Japanese not handed over any such funds but they had actually utilized deposits of customs revenues to support puppet governments and bogus currencies and to conduct military operations against the Chinese Government. He professed astonishment that in view of these past occurrences it should be supposed that China would acquiesce in the reopening of customhouses under Japanese control to continue the practices he had just described.

Kung then observed that the American Government had a legal interest in the disposition of customs receipts and in the administrative integrity and independence of the customs organization and he appreciated the expression of this interest which he had just received from me. He inquired whether I would be in a position to transmit to the Department a suggestion from him that the Department give its attention to the fundamental point involved in the whole question, that is, the custody and use of customs revenue and making appropriate representations at Tokyo along with other concerned

⁴⁵ *Ante*, p. 504.

powers. After all it was Japan and not China that was destroying the integrity of the customs. He added that the administrative integrity of the customs was, of course, closely related to equality of opportunity as between American merchants and those of Japanese and other nationalities.

I said that I would transmit his suggestion to the Department.

Repeated to Peiping, Shanghai. Peiping please mail to Tokyo.

JOHNSON

693.002/1011

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

No. 2958

SHANGHAI, March 9, 1940.

[Received April 8.]

SIR: With reference to my telegram No. 190 of March 8, 5 p. m., despatch No. 2366 of July 21, 1939,⁴⁶ to the subsequent telegrams between the Department and the Embassy at Tokyo,⁴⁷ and to Tokyo's despatch No. 4213 of November 6, 1939, to the Department,⁴⁸ regarding the reported intention of the projected Wang Ching-wei "government" to tender the post of Inspector General of Customs under that regime to Sir Frederick Maze, the present National Government incumbent, and to require his definite acceptance or refusal, I have now the honor to enclose copy of a letter from the Inspector General of Customs dated March 6, 1940,⁴⁹ covering a confidential memorandum submitted to him by Mr. H. Kishimoto, the (Japanese) Chief Secretary of the Customs, from which it appears that the Wang Ching-wei regime will probably appoint Sir Frederick Maze as their Inspector General of Customs, but, in order that the Customs service may not be disrupted, they will likely allow him to continue as Inspector General under the National Government to carry out the orders of the latter Government in respect of Customs affairs in the non-occupied area of China. Mr. Kishimoto suggests that in order to avoid any resulting issues, the Inspector General should neither accept the new regime's appointment nor refuse it, and he adds that if the interested Powers desire that the integrity of the Service be maintained, they should exercise their influence with the Government at Chungking to induce the latter to overlook the attitude of neither acceptance nor refusal which should be taken by Sir Frederick Maze.

⁴⁶ Neither printed, but see telegram No. 684, August 3, 1939, noon, from the Consul General at Shanghai, *Foreign Relations*, 1939, vol. III, p. 851.

⁴⁷ See Department's telegram No. 297, September 30, 1939, 3 p. m., *ibid.*, p. 861.

⁴⁸ Despatch not printed; for its enclosure, note No. 1405, October 26, 1939, see *Foreign Relations*, Japan, 1931-1941, vol. I, p. 750.

⁴⁹ Not printed.

The (Japanese) Chief Secretary further suggests that the Commissioners of the Custom Houses in the occupied area should be allowed to give effect "on the pretext of *force majeure*" to such requests of the new "government", communicated through the Superintendent (the Chinese colleague of the Commissioner; appointed by the Japanese sponsored regime) as are considered reasonable from the point of view of the new "government."

In short, Mr. Kishimoto believes that it will be absolutely necessary for the Inspector General and the Commissioners concerned to give the new regime a certain degree of *de facto* recognition.

In my opinion, Mr. Kishimoto's views probably represent those of the Japanese Government, which presumably has taken into consideration the representations made at Tokyo by the American, British and French Embassies, and has modified the original intention to require the Inspector General definitely to accept or reject the appointment to be tendered by the Wang Ching-wei regime, but wishes at the same time to bring the Inspector General and the Customs set-up in the occupied areas into some sort of working understanding with the Japanese sponsored regime in those areas—an understanding which, in fact, already exists in a certain measure in that the Inspector General and the Commissioners of Customs have followed a course of "bending rather than breaking" in their relations with the Japanese and their puppet Chinese regimes.

Respectfully yours,

C. E. GAUSS

698.002/1000: Telegram

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

CHUNGKING, March 19, 1940—10 a. m.

[Received 3:40 p. m.]

134. Department's 28, February 29, 3 p. m.⁵⁰ My 115, March 7, noon. British Embassy in its note addressed to Minister of Finance not only requested Kung to offer no opposition to reopening of custom-houses at Chinkiang and Nanking but to send no instructions to Maze on the subject. French Embassy in its note limited action to request that China offer no opposition to reopening of offices mentioned. Kung has now addressed similar letters to British and French Ambassadors and to me, text of which I quote in separate message.⁵¹

Repeated to Peiping and Shanghai. Peiping please air mail to Tokyo.

JOHNSON

⁵⁰ *Ante*, p. 504.

⁵¹ *Infra*.

693.002/1001 : Telegram

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

CHUNGKING, March 19, 1940—11 a. m.

[Received 8 p. m.]

135. My 134, March 19, 10 a. m. I quote text of letter dated March 16 from Minister of Finance. Similar letters were addressed to British and French Ambassadors.

"In connection with our conversation last week in which, under instructions from your Government, you drew to my attention the interest of the American Government in the maintenance of customs integrity, I wish to point out that, as stated on previous occasions, the Chinese Government [is?] attaching great importance to maintenance of customs integrity; but that this is being constantly violated by the Japanese authorities by seizing or detaining revenues and using them to promote their invasion; by forcing application of a tariff specially favorable to Japanese trade; by importing and exporting goods without passing them through the Customs; by bringing pressure for appointment of Japanese nationals on a preferred basis; and by seizing and destroying customs property. In so doing the Japanese authorities infringe not only upon China's rights but also upon the rights of the friendly powers, which have exclusive privilege both in the maintenance of a custom system operated without remittances for any foreign countries and in the application of customs revenue pledged as security for obligations directly owed to them, viz., the indemnity of 1901⁵² and in the case of the American Government the consolidation note for the wheat and cotton loans of 1931 and 1933 and for debts due to their nationals.

While realizing the difficult position in which the Inspector General of Customs is placed and to allow him all possible freedom of action, I desire him in accordance with his standing instructions to do everything practical with the support of the friendly powers to sustain the customs regulations and to resist Japanese encroachments against the customs. I trust that the American Government and the other friendly powers will give him their strong support to this end. Furthermore, since the Japanese action infringes upon the rights of the friendly powers, I trust that these powers employ whatever means they may deem most effective to show respect for those rights and to oppose the unlawful acts done or that may be done the Japanese authorities.

I may add that in public discussion of the reopening of the Yangtze mention has been made of a possible 'agreement' between Japan and other powers. In the opinion of the Chinese Government it would not be practicable to make any 'agreement' on the subject without implying a recognition that the Japanese have been given right to deal with it, contrary to provisions of the Nine Power

⁵² Indemnity for damages arising from the Boxer Uprising provided in article VI of the Final Protocol signed at Peking, September 7, 1901, *Foreign Relations*, 1901, Appendix (Affairs in China), p. 312.

Treaty⁵³ concerning China's integrity. The Chinese Government is confident, therefore, that the friendly powers will take no action relating to these matters that would be inconsistent with the letter or spirit of that treaty."

Repeated to Peiping, Shanghai. Peiping please repeat to Tokyo by air mail.

JOHNSON

698.002/1007: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, March 24, 1940—3 p. m.

[Received March 28—1:10 a. m.]

245. Chungking's 134, March 19, 10 a. m., and previous. Inspector General in letter dated yesterday informed me that he has been authorized by telegram from Minister of Finance at Chungking to act at his discretion in regard to resumption of customs activities at Nanking and Chinkiang when the Yangtze is reopened to foreign trade.

Repeated to Peiping and Chungking. Code text by air mail to Tokyo.

BUTRICK

893.01/779

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

No. 502

CHUNGKING, April 12, 1940.

[Received April 29.]

SIR: I have the honor to enclose a copy and translation of a note from the Chinese Ministry of Foreign Affairs dated April 10, 1940,⁵⁴ asking that the Embassy give serious attention to and take steps to prevent a reported project on the part of the Wang "Bogus regime" at Nanking to compel registration with the self-styled "Central Government" of Chinese and foreign industrial and commercial concerns, under threat of refusal to grant Customs permits to export the products of such concerns. The note asserts that if this intended action is not averted, the administration of the Chinese Maritime Customs will be destroyed and the industrial and commercial interests of foreign powers will be affected in an important and intimate manner.

An acknowledgment of the receipt of this communication has been

⁵³ Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. 1, p. 276.

⁵⁴ Not printed.

sent to the Ministry of Foreign Affairs, with the statement that steps have been taken to bring it to the attention of the American authorities concerned.

Respectfully yours,

NELSON TRUSLER JOHNSON

693.002/1015 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, April 18, 1940—4 p. m.

[Received April 18—7:15 a. m.]

323. Shanghai's despatch Number 2366, July 21, 1939,⁵⁵ Chinese Maritime Customs. The Inspector General states in a confidential letter dated April 6 that the attitude of the Wang regime appears to have been somewhat modified; for one thing the new government reputedly considers that, inasmuch as it is a continuation of the National Government, it is unnecessary formally to "appoint" him again. He adds that he has received from Nanking Minister of Finance a communication requesting that he instruct Customs Commissioners to function as usual and that Chang Su Min has informed him by letter that he (Chang) has been appointed to the post of Director General of the Customs Board.

Repeated to Chungking, Peiping, code text to Tokyo by airmail.

BUTRICK

693.002/1036 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 27, 1940—11 a. m.

[Received 11:40 a. m.]

701. The Inspector General of Customs has handed to me a letter in which he states that he feels that the present Japanese pressure to obtain stronger control over customs establishments will if unchecked jeopardize the stability of the inspectorate and that foreign support is more than ever essential at this time. He feels that public reiteration of the American attitude regarding the integrity of the Customs would be advisable. I informed him orally that I would bring his views to the attention of the Department.

Sent to Department. Repeated to Chungking.

BUTRICK

⁵⁵ Not printed, but see telegram No. 684, August 3, 1939, noon, from the Consul General at Shanghai, *Foreign Relations*, 1939, vol. III, p. 851.

693.002/1042 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 14, 1940—6 p. m.

[Received August 14—2:45 p. m.]

777. Reference my 701, July 27, 11 a. m.; and Department's 350, August 6, 5 p. m.⁵⁶ The Inspector General of Customs informed a member of my staff yesterday that the Japanese had increased their pressure on the Inspectorate General especially in regard to the customhouses on the border of the Kowloon leased territory. He said that the Japanese had intimated that they would increase their pressure on the customs administrations in occupied territory such as Shanghai if he did not comply with their requests in regard to the Kowloon border stations before cited. The General also said that when the Japanese Government recognized the Wang Ching Wei regime the latter might appoint him Inspector General and insist on his acknowledging the appointment. He said he was not prepared to do so and that he could withdraw to Kunming or Chungking but that he feared the integrity of the Inspectorate General would be destroyed if he left Shanghai. He intimated that he has had difficulty in obtaining from Chungking permission to make sufficient concessions to the Japanese on minor matters in order to preserve the latter's acquiescence in his continuing to function as Inspector General.

He emphasized again (see my 701, July 27, 11 a. m.) that he feels that a public reiteration of the attitude of the American Government in regard to the integrity of the Chinese Maritime Customs would improve his position vis-à-vis the Japanese. He did not indicate whether he had requested the British Government to make a public statement in regard to its attitude toward the integrity of the customs.

He said that he would have a précis of his present situation prepared and send it to me.⁵⁷

Sent to the Department, repeated to Chungking.

BUTRICK

693.002/1048 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 20, 1940—1 p. m.

[Received 8:45 p. m.]

954. Reference my 777, August 14, 6 p. m. The following information has been given me confidentially by the Inspector General of

⁵⁶ Latter not printed.

⁵⁷ Not printed.

Customs regarding a call received on September 16 from Mr. Sherman Chang, "director general" of the Nanking Government's "Customs Administration" and Mr. Ishiguro of the Japanese Consulate General. Mr. Chang stated that the difficulties of the Inspector General had been recognized by not requiring his formal appointment by the Nanking Government but that closer contacts should now be established. The Inspector General replied that because of the delicacy of his position he was uncertain of the form such closer relations could take. He says that he made it clear that he could not officially accept any formal appointment from the Nanking Government but that he was prepared to have informal relations with the Nanking Government in respect of fiscal affairs. Mr. Chang stated that at the close of the year after Japanese recognition of the Nanking Government he proposed to have further discussions with the Inspector General and that it would then be necessary to fix a definite procedure for such matters as the formal acknowledgment of communications to the Inspector General from the Customs Administration. On parting Mr. Ishiguro took occasion to remark that he believed the present system in which the individual action [*Inspector General*] enjoys considerable independence vis-à-vis the Japanese authorities could not for that matter be expected to continue.

Sent to the Department, repeated to Chungking.

BUTRICK

693.002/1073 : Telegram

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

SHANGHAI, December 31, 1940—4 p. m.

[Received 11 p. m.]

1452. Reference Shanghai's 1081, October 14, 2 p. m.⁵⁸ Chinese Maritime Customs. Following is summary of a letter dated December 30 received from Inspector General of Customs: Nanking regime is striving to secure similar control of surplus customs revenue in occupied China, but Inspector General has declined to accede to demands made in this connection. He has also declined to acknowledge official communications from the regime, although he has expressed willingness to make informal acknowledgment, when necessary, in English. Inspector General pointed out, however, that he cannot be expected to continue functioning here unless he is permitted to establish informal contact with the *de facto* authorities regarding customs affairs. He added that the alternative would be for him to withdraw to free China

⁵⁸ Not printed.

which would almost certainly result in disruption of the service and assumption of direct control over the customs by Nanking.

Sent to Department, repeated to Chungking.

LOCKHART

AMERICAN INTEREST IN JAPANESE DEMANDS AFFECTING THE INTEGRITY OF THE INTERNATIONAL SETTLEMENT AT SHANGHAI*

893.102S/1986: Telegram

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

SHANGHAI, February 3, 1940—1 p. m.

[Received 7:15 p. m.]

94. Reference Shanghai's 1138, December 23, noon.⁶⁰ Extra Settlement Roads question. I have received confidentially from the Deputy Secretary of the Shanghai Municipal Council⁶¹ the text of a "*modus vivendi* on policing in the western outside roads area" which has been agreed to by the Mayor of the City Government of Greater Shanghai⁶² and which the Chairman of the Council⁶³ will recommend to the Council for approval. The agreement will be considered by members of the Council within a few days and if approved will probably be signed within next 2 weeks. I have also been informed at the conclusion of the meeting at which agreement was reached the Japanese Consul General⁶⁴ stated that after the *modus vivendi* had been signed⁶⁵ he would call a press conference at which he would announce that he was now prepared to implement the understanding already reached in regard to policing the Settlement areas north of Soochow Creek. (See despatch No. 2450, August 22, 1939⁶⁰).

The following is the English version of the *modus vivendi*.

"1. The City Government of Greater Shanghai after consultation with the Shanghai Municipal Council has decided to ensure [*establish*] a special police force in the western Shanghai (outside roads) area. There shall be established in the area a suitable number of police stations and sub-stations. The personnel of this police force shall wear a distinctive badge or device and shall have the exclusive right to function in the area during the period of this *modus vivendi*.

2. The members and general structure of this police force shall be agreed upon as the result of consultations between the Chief of the

⁶⁰ Continued from *Foreign Relations*, 1939, vol. iv, pp. 1-107.

⁶¹ Not printed.

⁶² W. Gubb.

⁶³ Fu Siao-en.

⁶⁴ Cornell S. Franklin, American attorney.

⁶⁵ Yoshiaki Miura.

⁶⁶ The signing was effected February 16.

Police Bureau of the City Government of Greater Shanghai and the Commissioner of the Shanghai Municipal Police.

3. A number of officers of the police force, including certain principal officers, shall be appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

4. The chiefs of police stations in localities where foreigners own extensive property, together with an agreed number of police officers, shall be appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

5. The Shanghai Municipal Council shall appoint liaison officers to cooperate with the western Shanghai (outside roads) area police force.

6. All cases involving foreign nationals shall be handled by foreign police officer[s] who have been appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

7. In the case of any disagreement arising between officers appointed by the City Government of Greater Shanghai from among candidates recommended by the Shanghai Municipal Council and other officers appointed by the City Government of Greater Shanghai, reference shall be made to the Chief of the Police Bureau of the City Government of Greater Shanghai and the Commissioner of the Shanghai Municipal Police for their consideration and settlement. Failing such settlement, the disagreement, if deemed necessary, shall be referred to the Mayor of the City Government of Greater Shanghai and the Chairman of the Shanghai Municipal Council.

8. This *modus vivendi* is likewise [made] out in Chinese and English copies but its meaning and interpretation shall be based on the Chinese copy."

Repeated to Peiping and Chungking. Air mail to Tokyo.

GAUSS

893.111/437: Telegram

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

SHANGHAI, February 15, 1940—2 p. m.

[Received February 15—1:10 p. m.]

125. Relaxing of restrictions north of Soochow Creek. The Senior Consul has circulated a letter dated February 13 from the Japanese Consul General which reads in part as follows:

"Naval authorities have decided to abolish certain restrictions on passenger traffic which have been in force in the area under the control of the Japanese Navy at Shanghai. As from February 15, 1940 passes will no longer be required within the same area either from individuals or groups, both pedestrians and passengers in vehicles, regardless of their nationality.

Sentries will continue to be posted at certain points, who will examine or search the Chinese passengers and their belongings at any time and place that may be deemed necessary. The permit systems for transportation of goods into or out of the area and rehabilitation of Chinese residents in the above area will remain unaffected."

The above mentioned modifications are believed to be connected with the intimation given by the Japanese Consul General (see my 94, February 3, 1 p. m.) that the understanding already reached regarding restoration of Settlement police control in the prescribed areas would be implemented following the signing of the *modus vivendi* concerning the extra-Settlement roads; the latter agreement will probably be signed within the next few days.

The relaxing of restrictions north of Soochow Creek is felt to be a step in the right direction but the fact that Chinese desiring to reside in the areas mentioned must still obtain residence certificates from the Japanese authorities and that Japanese sentries will remain on the Soochow Creek bridges would appear to indicate that the Japanese do not at present intend to permit the Council to exercise full control over the northern areas.

Repeated to Peiping and Chungking. Air mail to Tokyo.

GAUSS

893.102S/1993 : Telegram

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

CHUNGKING, February 19, 1940—9 a. m.

[Received February 19—7: 10 a. m.]

81. Following is Embassy's translation of note dated February 17.

"The Ministry of Foreign Affairs presents its compliments to the American Government and has the honor to state that it has received a report to the effect that Cornell Franklin, Chairman of the Shanghai Municipal Council of the International Settlement in Shanghai, signed on February 16 a *modus vivendi* with Fu Siao-en, the Japanese controlled bogus mayor of Shanghai, in regard to the special policing in the extra-Settlement roads area in the western part of Shanghai.

That the Municipal Council of the International Settlement in Shanghai has gone so far as to sign an agreement with the bogus Shanghai municipal government created under Japanese aggression is regarded by the Chinese Government as improper. Apart from addressing a separate communication to the British Embassy, the Ministry, in inditing this third person note, has the honor to request that the American Embassy take note and effect a prompt rectification of this improper act of the Shanghai Municipal Council, in order to further friendly relations. The favor of a reply is also requested."

Repeated to Shanghai, Peiping.

PECK

893.01/654 : Telegram

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

HONG KONG, February 20, 1940—11 a. m.

[Received 3 : 55 p. m.]

56. Arthur N. Young⁶⁷ who returned to Hong Kong from Shanghai on February 16 requests me to communicate the following comment which he has dictated to me:

1. Influential Chinese in Shanghai informed me February 10 that they are much concerned about the possibility that if and when the Wang Ching-wei⁶⁸ regime is set up, one of its early acts will be to seek control of the Chinese courts within the International Settlement and the French Concession. They consider that if such control be obtained Chinese not cooperating with the regime would have no assurance that they could retain possession of their property, operate business enterprises, collect rents, enforce contracts or have protection of their persons. Also they fear pressure in the event of interference with land records.

2. In my opinion serious prospect of such developments would react very unfavorably upon the economic and financial position of Shanghai to the detriment of both foreign and Chinese interests. Chinese banks would be affected and a flight of capital might ensue. It will be recalled that announcement of the Tientsin blockade last June⁶⁹ was a major adverse factor if not the chief factor in precipitating the financial difficulties of the Hong Kong dollar. In the circumstances it is therefore much to be hoped that means can be found to prevent such developments from taking place.

3. Besides discussing the subject with an officer of the American Consulate, I talked with British and French officials. The British representative suggested that any reply to the Wang Ching-wei régime could hardly expect consideration of establishment of courts on a *de facto* basis unless and until it had gained substantial strength and demonstrated that it had set up a reasonably effective judicial machinery involving higher courts and appeal procedure analogous to that of the Chinese Government. The French representative suggested the question that might arise in case any of the present judges should be prevailed upon to join the new régime in which case Chungking would doubtless appoint new judges. It was intimated that both their governments would be disposed to resist such measures as far as practicable, and it appears that not long ago the Japanese made some approaches on the subject. Doubtless determined foreign resistance to such measures would stiffen the attitude of the present judges if they are pressed to (defect?).

Repeated to Chungking, Peiping, Shanghai.

SOUTHARD

⁶⁷ American adviser to the Chinese Ministry of Finance.

⁶⁸ Former Deputy Leader of the Kuomintang (Nationalist Party) at Chungking but at the time active in Japanese-occupied China.

⁶⁹ See *Foreign Relations*, 1939, vol. iv, pp. 163 ff.

893.102S/993 : Telegram

*The Secretary of State to the Counselor of Embassy in China
(Peck), at Chungking*

WASHINGTON, February 21, 1940—4 p. m.

25. Your 81, February 19, 9 a. m., extra-Settlement roads. It is suggested that, as in the case mentioned in your 300, May 1, 3 p. m., 1939 ⁷⁰ (Chinese activities in International Settlement), the Embassy make acknowledgement to the Foreign Office to the effect that the matter has been referred to the Department.

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

893.102S/1897 : Telegram

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

CHUNGKING, February 24, 1940—11 a. m.

[Received February 24—8:43 a. m.]

92. Department's 25, February 21, 4 p. m. Acknowledgement has been sent in the form suggested. I have now received a letter from the British Ambassador ⁷¹ suggesting that the British and American Embassies reply in identic notes and that the reply be along the following lines:

"The agreement is, as the Waichiao Pu ⁷² states, a temporary one. It has been concluded by the Municipal Council who have had to face a *de facto* situation, which is full of dangerous potentialities. It is impossible for the Council to ignore the fact that territory adjacent to the International Settlement is governed and policed by the city government, and consequently for the preservation of law and order within the Settlement itself they have to cooperate in this particular respect with the authorities of the city government. If they had allowed matters to drift, a serious situation would have arisen which would have endangered the security of all the inhabitants of the Settlement."

The Ambassador said he informed the Minister for Foreign Affairs ⁷³ about 2 weeks ago of the general nature of the *modus vivendi*. In reply to his request for my opinion regarding his draft, I have replied that to me it seems suitable but that I am referring it to the Department.

⁷⁰ *Foreign Relations*, 1939, vol. iv, p. 31.

⁷¹ Sir Archibald J. K. Clark Kerr.

⁷² Chinese Ministry for Foreign Affairs.

⁷³ Wang Chung-hui.

I suggest that Shanghai submit comments to the Department direct. I shall await the Department's instruction.

Repeated to Shanghai, Peiping.

PECK

893.1028/1998 : Telegram

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

SHANGHAI, February 26, 1940—2 p. m.

[Received February 26—6:22 a. m.]

159. Reference Chungking's 92 of February 24, 11 a. m. I cannot see that it would serve any useful purpose to make any reply to the Foreign Office note which was probably sent principally as a matter of record, but in view of the fact that the proposed reply is authorized I suggest that it be amended to refer to the area adjacent to the International Settlement as "administered and policed by a local regime" and consequently the Council has found it necessary to have "a temporary understanding with that regime". It might also be mentioned that this temporary understanding is in general along the lines discussed between the Council and the Chinese authorities in 1932.

Prior to the signing of the *modus vivendi*, the Senior Consul (Italian Consul General) ⁷⁴ communicated its text to his colleagues by circular reporting that he had accepted an invitation (from whom he did not disclose) to attend the conversations as an observer and that he proposed to attend as Senior Consul as a witness at the signing. I expressed the view that it was not desirable or necessary that the Senior Consul as such attend as witness and that to do so might establish a precedent later found to be undesirable. While the Italian Consul General took umbrage at my suggestion, he did not attend or witness the signing and the *modus vivendi* has not received any formal approval at the hands of the consular body.

Repeated to Chungking and Peiping.

GAUSS

893.1028/1999 : Telegram

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

SHANGHAI, February 28, 1940—2 p. m.

[Received 8:25 p. m.]

162. My 125, February 15, 2 p. m. The Japanese Consul General on February 26 discussed with the Chairman of the Municipal Council the matter of return of the area north of Soochow Creek to the

⁷⁴ Comdr. Luigi Neyrone.

police jurisdiction of the Council. Secretary Phillips ⁷⁵ in a confidential memorandum addressed to the American and British members of the Council reports that the discussion was "in every way encouraging", no changes being proposed as regards the terms of the agreement to be implemented (Shanghai's despatch No. 2450, August 22, 1939 ⁷⁶); however, Miura left behind him a brief *aide-mémoire* regarding Japanese desiderata which it is his intention to hand to the Chairman on the occasion of signature of the agreement. That document comprises two points of which the substance is as follows:

(1) The Shanghai municipal police will resume functioning in C and D divisions and in E division excepting "for the time being" the extra-Settlement roads area, in which area the municipal police may administer traffic control and policing of a nature approved by the Japanese navy landing party;

(2) Inasmuch as the Japanese authorities cannot admit that National Government organs such as the Shanghai Special Area District Court shall extend their functions to the area restored to the jurisdiction of the Municipal Police, the Council is requested to evolve a procedure to fit the existing circumstances.

Miura enlarging upon the second point stated that possibly the exigencies of the situation could be met without publicity by the establishment of a branch of the District Court with judges jointly appointed by Chungking and the new Chinese administration, and he proposed that the period of time necessary for implementation of the agreement should be employed in an effort to obtain the suggested dual appointment of judges. Phillips says that he and the Chairman both view as "constructive" Miura's suggestion, which might lead if found practicable to the solution of difficulties other than that of the court. It is nevertheless my own feeling that the present temper of the National Government is not conducive to the fruition of such a suggestion of joint action.

My despatch No. 2914 of February 16 ⁷⁶ contains detailed information regarding the immediate background of this question.

Repeated to Chungking, Peiping. Code text to Tokyo by air mail.

GAUSS

893.102S/1997: Telegram

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

WASHINGTON, March 1, 1940—7 p. m.

30. Your 92, February 24, 11 a. m., and Shanghai's 159, February 26, 2 p. m., Shanghai extra-Settlement roads. You are authorized

⁷⁵ G. Godfrey Phillips, British Secretary and Commissioner General of the Council.

⁷⁶ Not printed.

to reply to the Chinese Foreign Office along the lines of the draft outlined in your telegram under reference, amended as suggested in Shanghai's 159, February 26, 2 p. m.

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

893.102S/2000 : Telegram

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

WASHINGTON, March 11, 1940—7 p. m.

104. Your 162, February 28, 2 p. m., and 180, March 2, 3 p. m.,⁷⁸ in regard to International Settlement area north of Soochow Creek. The Department understands from your telegrams under reference that the *aide-mémoire* handed by the Japanese Consul General to the Chairman of the Municipal Council on March 1 is not a part of the agreement in regard to the return of the area north of Soochow Creek to the police control of the Shanghai Municipal Council. With specific reference to the question of the jurisdiction of the Shanghai District Court, the Department offers for your information and guidance the following additional comment:

The question of the return to the control of the Council of the area north of Soochow Creek is purely a question of action by the Japanese authorities to remedy a situation of their own creation and it is felt that there is no sound basis for any attempt by the Japanese authorities to attach conditions to the restoration of authority rightfully belonging to the Council or to interject into that question any extraneous matter. Restoration to the Council of its rightful authority logically carries with it the resumption of the functioning in the restored area of the courts upon which the authorities of the Municipal Council, pursuant to international arrangement, rely as an essential agency in the discharge of their responsibility for maintenance within the Settlement of peace and order. Furthermore, aside from other considerations, there is definite objection, from the viewpoint of administrative efficiency, to the Japanese proposal in regard to the courts in that its adoption would result in the demarcation of the Settlement into two separate judicial areas. Should the Japanese press for adoption of their proposal, this Government would feel impelled to raise objection.

You are authorized in your discretion to use the substance of the above comment as occasion therefor may arise.

Sent to Shanghai. Repeated to Chungking and Peiping. Shanghai please mail code text to Tokyo.

HULL

⁷⁸ Latter not printed; it informed the Department of the conclusion of an agreement on March 1, between the Chairman of the Shanghai Municipal Council and the Japanese Consul General, providing for return of the Settlement area north of Soochow Creek to police control of the Council.

893.102S/2030 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, April 17, 1940—9 a. m.
[Received April 17—3:40 a. m.]

320. At a conference at the British Consulate General yesterday afternoon with police and civilian officials of the International Settlement, and the British and American commanders of military, it was decided that my British colleague⁷⁹ and I bring to the attention of our Japanese colleague a confidential police report indicating that Japanese instigated attempts would be made to assassinate newly elected members of the Council. We later took such action. Our Japanese colleague frankly stated that he could not conceive of the report being true but would nevertheless bring it immediately to the attention of the Japanese military authorities and the "mayor" of the Shanghai Municipality. He suggested also that the report might be a screen to cover activities of terrorists motivated by Chungking. He [condemned?] all terroristic activities and said that he was working constantly for peace and order within the Settlement. I respectfully suggest that the Embassy in its discretion indicate to the Chinese Government the necessity at this time for the complete suppression of all terroristic activities in the Shanghai foreign areas.⁸⁰ The police are taking measures to protect the councilors.

Sent to Chungking, repeated to Peiping, code text by air mail to Tokyo.

BUTRICK

893.102S/2043 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, May 8, 1940—2 p. m.
[Received May 8—1:05 p. m.]

400. Return of Settlement area north of Soochow Creek to Council's control. Implementation of agreement of March 1st. Secretary and Commissioner General of the Council this morning informed British Consul General and me that the arrangements for the implementation of the agreement had been practically completed and that the Japanese to be named probationary division officer of "E" division had arrived from Japan. He stated that yesterday afternoon the Council had determined that it could not ignore the Japanese Consul

⁷⁹ A. H. George, British Consul General at Shanghai.

⁸⁰ The Ambassador in China in his telegram No. 186, April 20, 11 a. m., reported that on April 18 he "took advantage of meeting" the Chinese Minister of Finance (Kung) "to mention to him the situation in Shanghai." (893.1025/2032)

General's *aide-mémoire* when putting the agreement into effect and had therefore determined to inform him that it is now prepared to go ahead on the understanding that persons arrested by the Municipal Police functioning north of the creek, as in other parts of the Settlement, must be brought before the present district court for trial; and that the question of any change in the courts is one which the Japanese Consul General would have to take up with his interested colleagues.

If the implementation agreement is delayed, the Council feels that the onus will rest on the Japanese side. Actually the Secretary informs me that non-extraterritorial persons arrested in the Hongkew area by the limited number of Municipal Police now functioning there are brought before the district court for trial. However, there has recently been established by the Japanese naval landing party north of the creek a "rehabilitation court" before which non-extraterritorials and Chinese submit civil cases for "arbitration". Appearance before this court has apparently been compulsory in most cases. There is the danger that an attempt may be made to continue or extend the jurisdiction of the "court" when the agreement is implemented.

On April 26, while I called on the Japanese Consul General on protection matters, I thought it opportune to bring to his attention briefly the substance of the Department's 104 of March 11, having in mind that such course would give him an opportunity to revise his stand on any change in the jurisdiction of the court before he adopted a position from which he could not very well recede without considerable difficulty. In introducing this matter to his attention I commented that I should like to state in a purely personal capacity that I hoped he might find some way to avoid bringing up the matter of the court at this time. In answer to my question, he confirmed that the *aide-mémoire* is in no manner a part of the agreement.

Repeated to Chungking, Peiping, code text by airmail to Tokyo.

BUTRICK

898.102S/2045: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, May 12, 1940—1 p. m.

[Received May 12—12:10 p. m.]

410. Commissioner of Police Bourne's report of his interview with Major General Miura, commanding Japanese *gendarmérie*, has been made available to me and copies have been given to commanding officer Fourth Marines by Simmons, commanding general British forces here. On the night of May 10, following a shooting affray that afternoon in the central district of the Settlement, Miura requested an interview

with Bourne. Miura and two accompanying Japanese officers were in uniform with commanding general. Interview which began at 12:40 a. m., 11th, continued until 4 a. m. Bourne feels that only two points were of importance (1) Miura hoped the municipal police would do everything possible to stamp out pro-Chungking armed activity during next month or drastic steps by Japanese Army might be necessary. Bourne asked if this were a threat which he should convey to the British and American defense commanders, whereupon Akagi, Special Deputy Commissioner of Municipal Police, took over the interpretation to explain that *gendarmarie* wished to do nothing offensive, but were hardpressed by high military authorities; (2) Miura said confidentially that he had instructions from Tokyo to discontinue the Wang Ching Wei anti-Chungking assassinations in Shanghai. Bourne feels that if Miura threat was bluff it is relatively unimportant, but if he unintentionally has "let the cat out of the bag" it may be a serious matter. As the police have proof that certain recent assassinations were instigated by organizations under the control of Chungking, it may be opportune in view of point 2 to have the embassy again suggest to the Chinese Government the advisability of doing what it can to suppress terrorism in Shanghai to assist in the maintenance of peace and order here. At the same time, if the British Ambassador in Tokyo is similarly inclined, I would suggest that the American Embassy informally bring matter to the attention of the Japanese Government [as to?] the advisability of doing away with the armed special service forces (gangsters) operating under the orders [of the] Wang Ching Wei regime with the support of the Japanese. In his report under reference Bourne says that he informed Miura that the criminals involved in the May 10th shooting, which began in the customs premises outside police jurisdiction, were connected with a Japanese sponsored gambling house in Jessfield Road and that he has repeatedly foretold to the *gendarmarie* during the past year and a half the danger of these gambling houses, opium dens, and groups of hired assassins at 76 Jessfield Road, 22 Singapore Road, 35 Edinburgh Road and other localities. (Most of such dives are in the British and Italian defense sectors.)

Repeated to Chungking, Peiping, and Tokyo.

BUTRICK

893.102S/2047: Telegram

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

CHUNGKING, May 15, 1940—10 a. m.

[Received May 15—3:30 a. m.]

Shanghai's 86 [410], May 12, 1 p. m. In the course of a conversation yesterday evening with Minister for Foreign Affairs, I took

occasion to say that situation in Shanghai was giving concern to American Consulate and without accusing Central Government of direct participation in such assassinations I hoped that Central Government would use its influence with patriotic Chinese to prevent occurrence of such incidents which could only serve to disturb situation at Shanghai where municipal authorities were doing everything possible to maintain the peace and *status quo* which it was everyone's interest to preserve. The Minister of Foreign Affairs promised to take matter up with military authorities.

Sent to Shanghai. Repeated to Peiping.

JOHNSON

893.102S/2050 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, May 16, 1940—5 p. m.

[Received May 16—9:29 a. m.]

425. Return of settlement area north of Soochow Creek to Council's control. Reference my 400, May 8, 2 p. m. Secretary and Commissioner General of the Shanghai Municipal Council called upon the Japanese Consul General, Mr. Miura, on May 14 and informed him that the Council felt it necessary to bring to his attention the question of the functioning of the district court in view of his *aide-mémoire* handed to the Chairman of the Municipal Council on March 1 and that it is not within the power of the Council to solve the problem of the district court but grouped [*it is?*] within the competence of the interested foreign powers and that in [order?] to prevent misunderstanding and friction it should be understood before E Division is constituted that cases arising in [*to?*] the north of the creek will be taken to the only officially recognized court in the Settlement. Miura asked whether any effort had been made to obtain acceptance of his suggestion for dual appointment of judges of the court and was informed that the reaction was definitely unfavorable. The interview was reported as very friendly with the Japanese Consul General apparently appreciative of the Council's point of view.

I was reliably informed a few days ago that the judges would not accept dual appointment unless so instructed by Chungking.

Repeated to Chungking, Peiping; code text by airmail to Tokyo.

BUTRICK

893.102S/2045 : Telegram

The Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, May 18, 1940—4 p. m.

218. Your 410, May 12, 1 p. m., and Chungking's May 15, 10 a. m., to Shanghai. Having in mind the principles underlying the repre-

sentations made pursuant to the Department's 65, February 24, 6 p. m., 1939, to Shanghai,⁸¹ the Department suggests that the Embassy at Tokyo, unless it perceives objection, make appropriate informal representations to the Foreign Office and that you make similar representations to the Japanese Consul General at Shanghai following consultation between you and Ambassador Grew and your respective British colleagues and after you are advised by Ambassador Grew that he has acted or is prepared to act. The question of the form and substance of the representations is left to Mr. Grew's and your discretion; it is suggested, however, that the representations include a statement that a similar approach has been (or is being) made to the Chinese Government in regard to the question of terrorist activities of pro-Chinese agents in the International Settlement and its environs.

The question of making further representations to the Chinese Foreign Office is left to the discretion of the Ambassador at Chungking. If Mr. Johnson considers that representations in addition to those mentioned in his May 15, 10 a. m., to Shanghai, would be helpful, it is suggested that the additional representations include a statement that an appropriate approach is being made to the Japanese Foreign Office in regard to the question of terrorist activities of pro-Japanese agents in the International Settlement and its environs.

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

HULL

893.1028/2062 : Telegram

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

TOKYO, June 4, 1940—11 a. m.

[Received 2 p. m.]

404. Department's 218, May 18, 4 p. m., and Shanghai's 410, May 12, 1 p. m., terrorist activities. My British colleague⁸² has informed me that he is now prepared to make representations to the Foreign Office. I propose to make an oral and informal approach to the Foreign Office as suitable occasion offers within the next few days urging the advisability of doing away with unlawful armed groups in areas under Japanese control at Shanghai.

Shanghai please repeat to Chungking and Peiping.

GREW

⁸¹ *Foreign Relations*, 1939, vol. IV, p. 5.

⁸² Sir Robert L. Craigie, British Ambassador in Japan.

893.1028/2063 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 4, 1940—1 p. m.

[Received 8:35 p. m.]

483. Terrorism in Shanghai. On May 20 the Senior Consul circulated a letter dated May 16 from the Chairman of the Shanghai Municipal Council⁸³ containing the Council's resolutions of May 15 as follows:

"That a letter be written to the Senior Consul drawing the attention of the consular body to the Council's grave anxiety at the renewal in Shanghai of political arguments, crime, kidnapping and other forms of lawlessness, and urging the consular body to take all the steps within their power to secure the suppression of these organizations on the borders of the Settlement which in the Council's opinion seriously hamper the municipal police in the prevention of crime, making particular reference to gambling and narcotic establishments and armed stronghold in the areas adjoining the Settlement."

The Chairman reviewed the unsatisfactory situation and mentioned particularly "the armed organization which has its headquarters at 76 Jessfield Road." He drew attention to the recent armed holdup at the customhouse resulting in the wounding of two Japanese, a crime which according to one of the assailants arrested was planned in a gambling house off Jessfield Road. Police examination of discarded pistols "indicate clearly that the robbers belong to the gang in the western area where the municipal police cannot freely conduct itself and where no full cooperation is afforded."

The Senior Consul commenting as Italian Consul General stated that he could not "support any intervention by the consular body in this matter, seeing that the Shanghai Municipal Council and the Chinese *de facto* authorities have already (dated February 16th) reached an agreement to restore and maintain peace and order in the western district, without consulting the members of the consular body concerned or obtaining their approval." The Japanese Consul General associated himself entirely with the Italian Consul General.

I replied on May 24 as follows:

"I have the honor to refer to the Consul's circular 146-M-13, and other circulars on the same subject, and to state that I am happy to note the efforts put forth by you and our Japanese colleague in this matter. I take it that the statement of the Japanese Consul General, that 'the most obvious course to cope with the abnormal situation still existing in the western area would be to bring about the speedy enforcement of the Fu-Franklin police agreement between the city government and the Shanghai Municipal Council,' anticipates that the

⁸³ W. J. Keswick, British partner of Jardine, Matheson and Co.

unsatisfactory conditions obtaining in certain sections of the western area, with their consequent ill effect within the Settlement proper, will cease to exist upon the implementation of the agreement mentioned. It is generally hoped that such will prove to be the case. However, irrespective of the implementation of that agreement, I feel that a heavy obligation rests upon the several responsible authorities to exert every effort to stamp out those elements disturbing the peace and order of the Settlement.

I must add that I think the Council acted properly in referring the matter to the consular body when the situation became critical, resulting in the wounding of two Japanese on the customs premises and the subsequent disturbance of the peace and order of the Settlement when the assailants opened fire on Shanghai municipal police who were acting in the performance of their bounden duties, especially as it has been established by the police that the guilty parties have connections with illegal armed forces operating from a base or bases on extra-Settlement roads at present without the effective police jurisdiction of the Council."

My British colleague replied on May 25 somewhat along the same lines but expressed the view that it is "a matter for serious consideration whether the implementation of the agreement of February 16 is likely to prove effective in reestablishing orderly conditions unless steps have previously been taken to dissolve these [organizations?]."

There have been no subsequent developments.

Repeated to Chungking and Peiping. True reading by hand to Tokyo.

BUTRICK

893.102S/2068: Telegram

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

CHUNGKING, June 7, 1940—noon.

[Received June 7—4:50 a. m.]

248. My 247, June 7, 11 a. m.⁸⁴ Under date of June 3 the Ministry of Foreign Affairs sent informally to the American, British, and French Embassies, a memorandum dated Shanghai May 27 of reported plans of the present régime at Nanking to seize the International Settlement and French Concession at Shanghai. On June 6 the Minister for Foreign Affairs asked me to go [*come?*] to see him and told me that he had reason to believe the accuracy of the statement made in the memorandum as they had received information from their agents in Shanghai and Nanking. Many of the assertions contained in the memorandum have been published by the Central News Agency under date line of [Shanghai?] June 6. Copies of the memorandum are being mailed.⁸⁴

Repeated to Peiping, Shanghai. Peiping mail to Tokyo.

JOHNSON

⁸⁴ Not printed.

893.1028/2070 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 11, 1940—3 p. m.
[Received June 11—1: 07 p. m.]

508. Hong Kong's 178, June 9, noon ⁸⁵ which has been repeated to Tokyo. Possibility of attempted seizure of the French Concession by Italian troops and German residents of Shanghai.

Italian marines stationed in Shanghai number 219; crews of two Italian gunboats now in Shanghai total about 110. German nationals in Shanghai number approximately 3000 while number of German-Jewish refugees is estimated at between 18,000 and 20,000. Large numbers of the latter are said to be refugees in name only and the French Concession police are much concerned over the activities of German residents including Jewish refugees. It is reliably reported that some German-Jewish refugees in Hongkew and Yangtzepoo Districts have staged celebrations of recent German victories on the Western Front.

There have been recently many rumors circulating in Shanghai to the effect that the Italians, Germans and Japanese would take action against the French Concession and possibly also against the International Settlement in the event of Italy's entry into the European war. There is no confirmation of these rumors nor is there any substantiation of reports that the Japanese or "Nanking Government" are about to blockade the two foreign areas of Shanghai.

The defense force *status quo* arrangement made by Admiral Hart ⁸⁶ which Tokyo was instructed to communicate to the Japanese Government ⁸⁷ is in effect. I understand military commanders are arranging local liberty schedules in apparent good faith.

Repeated to Chungking, Peiping, Tokyo and Hong Kong.

BUTRICK

893.1028/2080 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 12, 1940—4 p. m.
[Received 8: 20 p. m.]

512. Having in mind my 508, June 11, 3 p. m. and informing them that I did so on my own initiative, I spoke with my British colleague yesterday and with my German, French and Japanese colleagues today and asked them if they would like to indicate to me what they

⁸⁵ Not printed.

⁸⁶ Adm. Thomas C. Hart, Commander in Chief, U. S. Asiatic Fleet.

⁸⁷ See telegram No. 154, May 16, 6 p. m., to the Ambassador in Japan, p. 331.

were doing to preserve peace, order and calm in Shanghai under present circumstances. They uniformly indicated that they were working to preserve peace, order and calm. My British colleague stated that the trading with the enemy acts were being liberally interpreted locally and that many Germans still were without inconvenience occupying British-owned apartments and houses. My German colleague discoursed lengthily indicating that so long as the attitude of the British and French was correct toward the Germans, as he admitted it had been almost without exception so far, he would do everything possible to prevent any overt acts by Germans.

He referred to a newspaper item in regard to fifth column activities here and stated that there were no armed Germans here. Most Germans kept fit by physical exercises but were not being schooled in military maneuvers, he stated. My French colleague pointed to the fact that Germans were residing without molestation in the French Concession and that only in five cases had action been taken to cause Germans to remove from the French Concession. He said that while precautions were being taken against possible surprises he was striving to his utmost to keep peace, order and calm. My Japanese colleague said that he was doing his best also. I referred to the great number of Jewish refugees in the Japanese defense sector and asked him if any of them were armed. He said they were not. I shall endeavor to consult my Italian colleague tomorrow.

Repeated to Chungking, Peiping, Tokyo.

BUTRICK

893.102S/2091a : Telegram

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

WASHINGTON, June 13, 1940—1 p. m.

201. Reference Shanghai's 498, June 7, 3 p. m.,⁸⁸ Shanghai's 508, June 11, 3 p. m., and related telegrams in regard to the situation at Shanghai. Unless you perceive objection, please make an informal approach to the Japanese Foreign Office along lines as follows:⁸⁹

"Of late, and no doubt due to some extent the intensification and spread of hostilities in Europe, there has been a deluge of rumors in regard to the International Settlement and French Concession at Shanghai. Amongst these was a baseless report released by Domei on June 5 that negotiations were in progress looking toward the transfer from the French to the American authorities of administrative

⁸⁸ Not printed.

⁸⁹ On June 19 the Counselor of Embassy in Japan (Dooman) made an informal and oral statement to the Japanese Foreign Office in the sense of the Department's directive; and on June 20 the American Ambassador in Japan (Grew) took up the same matter personally with the Japanese Minister for Foreign Affairs; see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 80.

and police duties in the French Concession. Other rumors have been to the effect that the Japanese military forces at Shanghai might attempt to take over the International Settlement and the French Concession. Needless to say, the Government of the United States does not credit these rumors. In view, however, of the persistence of the rumors and of the consequent uneasiness amongst American citizens and others at Shanghai, the Government of the United States offers for consideration by the Japanese Government the suggestion that the alarm caused by those rumors would be dispelled, and reassurance to the foreign communities at Shanghai would be afforded if the Japanese authorities were to make a public statement in whatever manner they might deem appropriate in reference to the foreign-administered areas at Shanghai along the general lines of the clear and categorical assurances given by the Japanese Minister for Foreign Affairs to the American Ambassador at Tokyo on May 13, 1939⁹⁰ (see your 222, May 13, 2 p. m., 1939⁹¹)."

Sent to Tokyo. Repeated to Chungking, Peiping and Shanghai.

HULL

893.1028/2086 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 15, 1940—4 p. m.

[Received 11 p. m.]

528. For the considerations mentioned in my 512, June 12, 4 p. m., I saw my Italian colleague on June 13. He informed me that he had spoken to his colony and was doing all possible to keep peace and order in Shanghai. He nevertheless felt that a clash is inevitable eventually.

Actually there has recently been an increase in the number of Japanese gendarmes functioning in the British sector (extra-Settlement roads area) and I have learned confidentially that the matter has been drawn to the attention of General Miura, in charge of Japanese *gendarmerie*.

Repeated to Embassies [at] Chungking and Tokyo.

BUTRICK

893.1028/2088 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 19, 1940—1 p. m.

[Received 8 : 35 p. m.]

545. Department's 201, June 14 [13], 1 p. m. to Tokyo. Spokesman of Japanese Embassy at Shanghai is quoted as making following statements, *inter alia*, yesterday to press.

⁹⁰ See memorandum by the Ambassador in Japan, May 13, 1939, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 841.

⁹¹ *Foreign Relations, 1939*, vol. iv, p. 48.

Congratulating Germany on its victory and expressing sympathy for France, he observed, "Herr Hitler said the other day to an International News Service man 'America for the Americans, and Europe for the Europeans.' I agree with him and I also believe in 'Asia for the Asiatics'—that is to say, that questions relating to Asia should be settled by Asiatic peoples. And Japan will not slacken her attacks on Chungking until she achieves her objective in this China incident."

Questioned regarding current rumors, the spokesman said that Japan would take no action against the foreign areas in Shanghai, "barring an extraordinary, grave change in the situation. However, the Japanese forces occupy the areas surrounding the foreign areas and have responsibility for the maintenance of peace and order in the Shanghai District, and we are naturally concerned over the peace and order of the town. We have some requirements in this connection; for instance, that the Settlement and Concession authorities exercise strict control over terroristic activities in their areas is one of these requirements. It is also a matter of our special concern that Chinese and English language newspapers and other publications in the Settlement and Concession sometimes give a false impression to Shanghailanders in general by publishing rumors without foundation or by making unwarranted attacks on Japan. We believe that the third power authorities should pay adequate attention to the control of the press."

Asked about Mayor Fu Siao En's statement demanding the withdrawal from Shanghai of the armed forces of the belligerent powers, the spokesman refused to comment on the statement itself but said, "The policy of Japan has already been announced by our government. When a state declares war, there can be but neutral and belligerent powers in the world and according to the well-established rules of international law the armed forces and warships of the belligerent powers are not allowed to stay within the territory of a neutral power." (Mayor's statement being mailed ²²).

Repeated to Peiping, Chungking. Air mail to Tokyo.

BUTRICK

893.102S/20913

Memorandum by the Adviser on Political Relations (Hornbeck)

[WASHINGTON,] June 25, 1940.

Captain Schuirmann sent Commander McCracken ²³ to me late yesterday afternoon.

²² Not printed.

²³ Capt. Roscoe E. Schuirmann and Lt. Comdr. Alan Reed McCracken, of the Office of the Chief of Naval Operations.

Commander McCracken showed me a telegram which was marked "This is the only copy in the Navy Department", from Admiral Hart. In the telegram Admiral Hart recommended that we "decide at this time what our course of action would be in case the British and the French withdraw their garrisons from China." He recommended that "we at least take over Defense Sector B [at Shanghai]." He affirmed that "our forces are temporarily adequate to carry out this move." He expressed belief that there will be strong demand for the British and the French to withdraw and that "they may acquiesce".— This was the whole content of the telegram. There was given no supporting argumentation, statement of reasons, or comment.

Commander McCracken also showed me a memorandum giving the numbers of United States landed armed forces in China, as follows:

	<i>Officers</i>	<i>Warrant</i>	<i>Men</i>
Shanghai.....	47	7	1,011
Tientsin.....	13	1	225
Peiping.....	16	1	315

S[TANLEY] K. H[ORNBECK]

893.102S/20913

*The Department of State to the Department of the Navy*⁹⁴

[WASHINGTON, June 25, 1940.]

Reference suggestion made by Admiral Hart that the American marines take over "Defense Sector B" at Shanghai in the event that the British and French withdraw their garrisons from China.

(1) It is assumed (subject to confirmation) that the American Consul at Shanghai is being consulted by Admiral Hart and is in agreement with the Admiral's suggestion. (2) It is further assumed that the Shanghai Volunteer Corps would continue its functions in Defense Sector B and that what is envisaged is that the American marines would simply replace the British troops in the functions which those troops have been performing in that area pursuant to that provision of the Shanghai Defense Scheme of December 18, 1932, which allocates Sector B to the Shanghai Volunteer Corps and to one British rifle company. (3) It is also assumed that, inasmuch as the Japanese in common with nationals of the other powers concerned have an interest in and participate in the administration of the International Settlement and as, in the contingency mentioned, the Japanese would have the only other foreign forces at Shanghai, Admiral Hart would have American marines replace the British in Defense

⁹⁴ Approved by the Secretary of State and cabled to Admiral Hart by the Navy Department.

Sector B only after an arrangement to that effect had been worked out with the Japanese.

We desire to know whether the assumptions are correct.

893.102S/2085½

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

[WASHINGTON,] June 27, 1940.

Captain Schuirmann of the Navy Department called and informed us that Admiral Hart had replied to the Navy Department's message as follows: his recommendation would not involve any change in the status of the Shanghai Volunteer Corps but related solely to the replacement of the British troops, if withdrawn, in Sector B; that discussion on the subject might be had between Washington and Tokyo or with the Japanese at Shanghai; that such discussion could be entered into only after the British had reached a decision that they intended to withdraw the British forces; and that while he had conferred with Mr. Gauss last September and subsequently on this general subject he had not had any conferences recently with the American Consul at Shanghai.

M[AXWELL] M. H[AMILTON]

893.102S/2098a

*The Department of State to the Department of the Navy*⁹⁵

WASHINGTON, June 27, 1940.

SUBSTANCE OF PROPOSED REPLY TO ADMIRAL HART

In view of your estimate that under present conditions your forces at Shanghai are adequate, you are authorized, provided the American Consul at Shanghai concurs and if, in the event that such a contingency arises, you are able to work out a mutually satisfactory arrangement with the Japanese, to proceed in such a contingency in accordance with your recommendation, that is, to arrange that the American marines take over in Defense Sector B the functions now allocated to British troops.

⁹⁵Approved by the Secretary of State and cabled by the Navy Department to Admiral Hart after President Roosevelt had been consulted by the Chief of Naval Operations (Stark).

893.24/823

*Memorandum by the Under Secretary of State (Welles) of a
Conversation With the French Ambassador (Saint-Quentin)*

[WASHINGTON,] June 27, 1940.

The French Ambassador called to see me this afternoon and read to me two telegrams he had received from the French Ambassador in Tokyo.⁹⁶

The first of these telegrams referred to the action taken by the Governor General of Indo-China⁹⁷ with regard to the cessation of the transport through Indo-China of materials destined to the Chinese Government. It likewise showed great bitterness that the French authorities had also been obliged to agree to the inspection of all imports and exports by Japanese agents. Finally, it expressed great apprehension as to the immediate intentions of Japan.⁹⁸

The other telegram related to the probability that the Japanese would soon present an ultimatum to the French authorities in Shanghai, forcing the French troops to withdraw from the International Settlement.

The Ambassador inquired whether, in the event that the Japanese served preemptory notice upon the French to withdraw, the American troops in Shanghai would assist in resisting such an attempt, and, second, whether in the event the French did withdraw, the American forces would take over the sectors previously occupied by the French and perhaps the British in the event that the British also withdrew.

I said to the Ambassador that I was somewhat surprised with regard to his first inquiry, since this Government had made it perfectly clear some time ago, both to the British and to the French Governments, that the American troops in Shanghai would not be authorized by force to oppose the regularly constituted military forces of a third power operating in China. I stated that this was the considered policy of this Government and that there had been no change therein.

With regard to his second inquiry, I stated to the Ambassador that it was my understanding that an entirely satisfactory and amicable agreement had been entered into by the commanding officers of all of the foreign troops in Shanghai, including the Italians, with regard to the situation resulting from the declaration of war upon France and Great Britain by Italy, but that I was not in a position to give any assurance that the American forces would or would not occupy any or all of the sectors which might be evacuated by the troops of other nations in Shanghai. I stated that in my judgment this

⁹⁶ Charles Arsène-Henry.

⁹⁷ Gen. Georges Catroux.

⁹⁸ See also pp. 1 ff.

was a matter which would have to be determined in the light of the immediate conditions.

I made it entirely clear to the Ambassador that this Government would make no commitment of any character to the French Government at this time with regard to this question.

S[UMNER] W[ELLES]

893.1028/2163

The Consul at Shanghai (Butrick) to the Secretary of State

No. 3252

SHANGHAI, June 27, 1940.

[Received August 6.]

SIR: I have the honor to refer to my telegram No. 560, June 24, 3 p. m.,⁹⁹ reporting that, through an amicable agreement between the French and Japanese armed forces in Shanghai, the former would withdraw from and the latter would occupy, on June 25th, the "Special Military Area" outside the French Concession extending south of the Rockhill Avenue boundary of the British defense sector and including several church properties in Siccawei.

In accordance with this agreement, French forces were withdrawn from the area at 9 a. m. on June 25, 1940, and it was occupied by members of the Japanese armed forces.

The French Embassy in Shanghai is reported by the local press to have issued the following statement in regard to this matter:

"In 1937, the French military authorities here and the High Command of the Japanese forces operating in the Shanghai area agreed upon the establishment of a security zone around the foreign areas.

"Now that the French security area has served its purpose and that the reasons which prompted its establishment have disappeared, the same authorities, acting once more in complete agreement, decided to restore the normal status of this area.

"It must furthermore be emphasized that the occupation of the French 'zone' was the result of a *de facto* situation, and that it was not founded on any formal stipulation.

"The French authorities took care to notify in one time all foreign authorities concerned of the decision they had arrived at."

There is enclosed a copy of a memorandum,⁹⁹ prepared by Colonel DeWitt Peck, Commanding Officer of the United States Fourth Marines Regiment, on his conversation with Colonel Eissautier, the Commander of the French forces in Shanghai, in regard to this matter. The Department will observe that Colonel Eissautier stated that

⁹⁹ Not printed.

Major General Miura, Commander of the Japanese *Gendarmerie* in the Shanghai area, informed him that the French forces must withdraw from the Siccawei area. General Miura is reported to have added that if the French forces wanted to avoid combat Siccawei had better be surrendered. The matter was then referred, according to Colonel Peck's memorandum, to the French Ambassador,² and subsequently General Miura was informed that the French forces would withdraw from Siccawei.

It will be noted that Colonel Peck stated in his memorandum that he told Colonel Eissautier that he regretted the French had made this concession to the Japanese "because we are all Whites here, and a united front was our security; that this concession had weakened the position of all of us here." Colonel Eissautier stated that the French forces in Shanghai would make no further concessions to the Japanese.

Colonel Peck included in his memorandum remarks by Colonel Eissautier in regard to the effect of recent developments in France on the situation of the French armed forces in Shanghai.

Respectfully yours,

RICHARD P. BUTRICK

893.102S/2106

The Chinese Embassy to the Department of State

It has been reported to the Chinese Government that the authorities of the International Settlement at Shanghai are contemplating the establishment of a Police Court of which the presiding judge is to be appointed by the Municipal Council upon the recommendation of the Japanese authorities.

This proposed measure is apparently calculated to meet the demands of the Japanese. If it is allowed to be put into effect, it will directly encroach upon the jurisdiction and function of the District Court established under the Shanghai Courts Agreement of February 17, 1930.³ It will not only be an infringement of the judicial power of the Chinese Government, but will jeopardise the persons and property of all residents in the Settlement by placing them under the immediate control of a Japanese-dominated Court.

The Chinese Government, therefore, earnestly hopes that the American Government will cause instructions to be issued to the authorities of the International Settlement at Shanghai with a view to preventing

² Henri Cosme.

³ See *Foreign Relations*, 1930, vol. II, p. 333.

the carrying out of the above-mentioned project, so that the jurisdiction of the existing District Court may remain unimpaired.

WASHINGTON, July 1, 1940.

893.102S/2092 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 2, 1940—1 p. m.

[Received July 2—9 : 45 a. m.]

583. I called on the French Consul General this morning. He stated that the French Concession police have reached an oral agreement with the Japanese *gendarmérie* in regard to the suppression of terrorism in the French Concession, including joint search on prior notification. He said that Japanese armed trucks would be allowed to pass along the water front as heretofore but would not be so closely supervised as the French did not have sufficient forces for that purpose at present. He said these measures did not exceed the practice in the International Settlement, which is true. He said that their present attitude is to resist by force any attempt to take over the French Concession.

Sent to the Department, repeated to Chungking, Peiping. Code text by air mail to Tokyo.

BUTRICK

893.102S/2093 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 2, 1940—2 p. m.

[Received July 2—11 : 57 a. m.]

584. In continuation of my 583, July 2, 1 p. m., the French Consul General stated that he would take orders from the Pétain Government. He said he had not been approached by any German authority but that in case of necessity he would prefer dealing direct with German representative rather than through an intermediary. He said if necessary to give up the French Concession he and his Ambassador were determined to return it to the Chungking Government, which he felt might put the Settlement in somewhat of a predicament. Such course of action would doubtless mean the occupation of the Concession by the Japanese.

Admiral Hart who is scheduled to arrive today will be informed.

Sent to the Department. Repeated to Chungking, Peiping. Code text by air mail to Tokyo.

BUTRICK

893.52/500 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 6, 1940—2 p. m.
[Received July 6—10: 13 a. m.]

My July 1, 8 p. m.⁴ The land records of the Chinese Land Bureau were turned over to the Japanese Consul General yesterday by the Shanghai Municipal Council. Japanese Consul General then transferred the records to the "Mayor" of the "Shanghai Special Municipality".⁵

Sent to Chungking. Repeated to the Department and Peiping.

BUTRICK

[On July 7, 1940, in carrying out security measures for the visit of a Japanese general to the American defense sector in the International Settlement at Shanghai, United States Marines arrested 16 Japanese gendarmes in plain clothes carrying concealed weapons. The essential facts are given in telegrams No. 671, July 22, 1 p. m., from the Consul at Shanghai, *Foreign Relations, Japan, 1931-1941*, volume II, page 101, and No. 712, July 30, 11 a. m., *ibid.*, page 106. The incident of July 7 was under intermittent discussion between American and Japanese authorities from July into October, no settlement being reached because the Japanese insisted on an expression of regret and refused to accept American formulas which would not imply that the Marines were at fault. Further correspondence is not printed, as no additional information of importance developed.]

893.52/499 : Telegram

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

WASHINGTON, July 9, 1940—4 p. m.

116. Your 311 [319], July 5, noon,⁶ and Shanghai's July 6, 2 p. m. Please make suitable acknowledgment of the note of the Minister for Foreign Affairs and reply in substance along lines as follows:

⁴ Not printed.

⁵ Considerable correspondence, not printed, preceded this action by the Municipal Council of the International Settlement. The Department of State's attitude was that it did not want to be put in the position of giving its assent to such action by the Council and that the matter should be treated primarily as a local question for adjustment by local officials.

⁶ Not printed; it transmitted translation of a note from the Chinese Minister for Foreign Affairs requesting the American Embassy to ask the authorities of the International Settlement at Shanghai not to hand over the archives of the land bureau "to the Japanese bogus regime."

"The Government of the United States understands that when the duly constituted Chinese authorities of the Municipality of Shanghai were compelled by circumstances to withdraw from the Shanghai area, they requested the Municipal Council of the International Settlement to take custody of the Shanghai land records; that the Municipal Council, without obtaining the approval of the consular body, undertook the custody of those records; and that for some two years the Council continued to hold them in the face of considerable pressure and at the cost of considerable inconvenience in connection with land transfers. This Government considers that, in the circumstances, the question whether the Council could longer reasonably continue to hold the land records is one primarily for decision by the Council. It may be observed in this connection that in other areas in China where circumstances have led to the withdrawal of the duly constituted Chinese authorities, it is understood that land records are in possession of subsequently established local régimes.

Under the circumstances, as above outlined, this Government feels that it would not be appropriate for it to intervene in the matter of the land records at Shanghai."

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

793.94/16059 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 19, 1940—1 p. m.

[Received 2:40 p. m.]

657. The deterioration, from an American point of view, of the situation in Shanghai, as indicated in this Consulate General's political report for June⁷ and in telegrams sent subsequently, continues. The declining attitudes of the British and French Governments vis-à-vis Japan and the weakened attitude of the Shanghai Municipal Council have contributed to the increasing demands on the local authorities and intensification of anti-foreign propaganda campaigns of the Japanese and the régimes under their control.

The consensus of opinion of competent occidental observers appears to be that the Japanese do not intend at present to seize the International Settlement or the French Concession but that they will continue step by step to increase their demands with the intention of attaining a dominating influence in these foreign areas. One instance of the extension of Japanese control into the Settlement south of Soochow Creek was brought out in my 634, July 13, 1 p. m.⁷ While there may appear justification in that case, the underlying motive was doubtless a desire to establish the position of the area as a definite Japanese military occupation as opposed to the idea of a neutral area (south of Soo-

⁷ Not printed.

chow Creek) which was the attitude adopted by Mr. Gauss⁹ during hostilities here in 1937 and which since has been held constantly in mind by this office. Mr. I. Okamoto, who was coopted to the Shanghai Municipal Council in the place of the elected Japanese councilor who "resigned", is a prominent exponent of the Japanese position in municipal affairs. He was formerly Japanese Consul General at Singapore and is known to have intimate contacts with the Japanese military.

The opinion expressed in the first paragraph of this telegram is supported by the following developments most of which have been previously reported:

- (1) the turning over of the Chinese land records formerly in the custody of the Municipal Council;
- (2) the withdrawal of French forces from the "special military zone" west of the French Concession;
- (3) increased "cooperation" between the French municipal police and the Shanghai police with the Japanese military;
- (4) violent denunciations of the United States and to a lesser extent recently of Great Britain in local newspapers controlled by the Japanese or the Wang Ching-wei régime;
- (5) articles in the newspapers demanding the abolition of extraterritoriality and the retrocession of the foreign areas;
- (6) the unconciliatory attitude of the Japanese military in regard to the July 7 incident involving United States Marines and Japanese gendarmes;
- (7) statements to members of my staff in private conversation of the Commissioner and Secretary General of the Shanghai Municipal Council and high ranking officers of the Shanghai municipal police indicating that they feel that without strong foreign support they can not attempt to withstand Japanese demands;
- (8) the publication by the Wang Ching-wei news agency of the names of 87 prominent Chinese residing in Shanghai to be arrested and of six Americans and one Briton to be deported.

Sent to the Department, repeated to Chungking, Peiping, code text by air mail to Tokyo.

BUTRICK

893.1028/2136: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 23, 1940—2 p. m.

[Received July 23—9: 08 a. m.]

681. On July 20 the Chairman of the Shanghai Municipal Council addressed a letter to the Senior Consul¹⁰ in regard to terrorism and released the contents of the letter to the local press. The text is

⁹ Clarence E. Gauss, then Consul General at Shanghai.

¹⁰ The Danish Consul General (Scheel).

quoted at the end of this telegram. The Senior Consul circularized the letter to his colleagues and invited their attendance at 3:30 p. m. on July 22 at a consular body meeting to consider the matter. The Japanese Consul General refused to attend on short notice and the meeting is now scheduled for July 25. It is my conjecture that the Japanese Consul General wishes to obtain instructions from Tokyo before attending the meeting.

At a press conference yesterday afternoon the spokesman of the Japanese Embassy stated the action of the Chairman of the Council in releasing the letter to the press before it was circulated to the consular body "was not a proper procedure." The spokesman added the consuls [*Council?*] Chairman should have consulted the other members of the Council before writing and publishing such a letter. The spokesman is reported to have added that there are many causes for the terrorism disorder in Shanghai but that "the chief cause is the failure on the part of responsible parties in Shanghai to face the realities of the situation here" and "many people in Shanghai are living in a land of fairy tales, and they insist on adhering to decrees. The Chungking Government can exercise no power in this area. It is the Japanese forces and the new Government in Nanking that exercise the real power in Shanghai. For instance, the fact that the question of the special district courts has not been settled as yet is directly due to this lack of recognition of realities."

The Senior Consul stated that at the meeting he intends to propose resolution "roundly condemning any and all forms of terrorism in Shanghai, such resolution to be made public after adoption."

It is not improbable that the Japanese Consul General will propose at the meeting that Japanese gendarmes be permitted to increase their activities in the Settlement and that Japanese influence in the Shanghai municipal police be augmented.

In my opinion the situation may be slightly ameliorated by an increase in precaution by the defense forces and the Shanghai municipal police but any fundamental improvement is contingent upon action by the Japanese and Chinese Governments, primarily the cause of the failure, in controlling their agents in the Shanghai area.

The Chairman's letter follows:

"You will have shared the horror with which I heard of the assassination by gunmen in the International Settlement of Mr. Samuel H. Chang, a director of the Port Mercury Company.

Four days ago, bombs were thrown at the newspaper office of the *Shun Pao*, situated in Hankow Road; as a result numerous persons were injured and one was killed. On the evening of the 28th of last month there was assassinated in Fukien Road the proprietor of the *Kuo Min Daily News*, the newspaper agency con-

cerned had previously received threats of drastic action should it continue its present policy, which is to support Mr. Wang Ching-wei. Mr. N. F. Allman, the publisher of the *Shun Pao*, is one of the seven foreign newspaper men who were reported in the daily press of July 16 as being subject to a demand from the Chinese Government in Nanking that they should leave Shanghai. Of the truth of this report I have no knowledge. Mr. Samuel Chang, who was horribly murdered yesterday, is among the 83 persons whose names were published by the *Central China Daily News*, which reported that their arrest had been ordered by the Chinese Government at Nanking. There may be no connection between the publication of this report and the murder to which I am referring, but that there is cause for anxiety I am confident no one will doubt entirely.

You know, and all your colleagues know, that the Council and the Municipal Police are doing all that they possibly can to check terrorists. Their efforts, however, cannot be successful as long as political factions are permitted to attempt to attain their objective by armed crime. The Council deplures every form of lawlessness, whatever be its motive and regardless by whom it is committed. In the past we have been able to be proud of the International Settlement as a place where all responsible persons set themselves to discourage crime and uphold security. Today it would seem that Shanghai is a prey to warring factions who pay no regard for the sanctity of human life and who are prepared to adopt any and every means to attain their objectives. A large part of the civilized world is now in a state of disorder and suffering the horrors of war. Still more desirable would it seem to be that this huge commercial city should be maintained as a place where ordinary persons can carry on their lawful occupations in peace and security.

I am confident that no responsible person can approve of assassination as a weapon. As the elected Chairman of the Council I feel it my duty to call to your attention, as Senior Consul, the deplorable state of affairs now existing in Shanghai. In appealing to you I am appealing to the conscience of the civilized world. I, therefore, feel it right to send a copy of this letter to the public press. May I express the earnest hope that you may feel it right to call an immediate meeting of the Consular Body and to urge every one of your colleagues to cooperate with you in assisting the Council to check the present terrible wave of political crime which is destroying all confidence here and ruining the reputation of Shanghai throughout the world".

Sent to the Department. Repeated to Chungking, Peiping. By air mail to Tokyo.

BUTRICK

893.1028/2148 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 25, 1940—6 p. m.

[Received July 25—5 p. m.]

696. My 681, July 23, 2 p. m., terrorism in Shanghai. At meeting this afternoon Japanese Consul read: (1) long statement apparently

prepared in accordance with instructions from his Government censuring Chairman of Council for giving publicity to his letter to Senior Consul before all members of consular body had received it; and (2) another statement the essence of which was that if all Chungking elements were removed from Shanghai there would be no terrorism.

A resolution drafted by Senior Consul reading as follows: "that the Shanghai consular body, regards with extreme horror the various acts of terrorism committed in Shanghai, and hereby places on record its utter condemnation of any and every form of terrorism by whomsoever perpetrated, such dastardly acts being contrary to every dictate of humanity and civilization" and a further one drafted on the spot by the Italian and German Consuls General¹¹ reading "that the Shanghai consular body, regarding with extreme horror the various acts of terrorism committed in Shanghai and considering that such acts are mostly due to political motives, places on record its utter condemnation of any and every form of terrorism by whomsoever perpetrated, and expects that the Shanghai authorities will prohibit in the International Settlement any political activities which might be detrimental to peace and order" the Japanese Consul General stated he would approve only if they contained (2) above. Owing to the rule of [unanimity?] nothing was accomplished but meeting adjourned until August 2. Except for notice of adjournment, nothing will be given press by Senior Consul and I am not making any statement to press; however, it is correct to expect that Japanese Consul will issue long statement to press as he intimated that he would do so.

Sent to the Department. Repeated to Chungking, Peiping. Code text by air mail to Tokyo.

BUTRICK

893.52/503

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

No. 613

CHUNGKING, July 30, 1940.

[Received August 15.]

SIR: With reference to my telegram no. 319, July 5, 12 noon¹² and the Department's telegram no. 116, July 9, 4 p. m. in relation to the matter of the archives of the Land Bureau of the Shanghai Municipal Government, I have the honor to transmit herewith, as a matter of record, a copy of the Embassy's note of July 11, 1940 to the Chinese Ministry of Foreign Affairs.¹²

¹¹ Comdr. R. Rapex, acting Italian Consul General, and M. Fischer, German Consul General.

¹² Not printed.

There is also enclosed a copy in translation of a note dated July 24, 1940,¹³ received by the Embassy from the Ministry of Foreign Affairs stating that the action of the Shanghai Municipal Council is unlawful and contrary to the principle of a delegated custodianship. The note embodies a vigorous protest, sets forth that the transfer of the land archives has no legal validity, and contains a reservation of all rights by the Chinese Government.

The last-mentioned note was, of course, transmitted after the Shanghai Municipal Council had delivered over the land archives, and the Embassy is of the opinion that it was sent chiefly for purposes of record. The Embassy does not propose to reply to this note unless instructed to do so by the Department.

On July 18 the Counselor of the British Embassy informed the Counselor of the American Embassy that the former had received telegraphic instructions from his Ambassador to send a reply to the Foreign Office note of July 4 similar to the American reply. He asked whether he might have a copy of the latter. A copy of the British reply, dated July 22, is enclosed.¹³

On July 30, during a conversation with the Counselor of the Embassy, Vice Minister Hsu Mo reiterated that the Chinese Government regarded the handing over of the land records with the greatest regret and misgiving as to their possible use. He observed that it would be quite possible for the "puppet" regime to falsify the records and otherwise misuse them and that the Government had even meditated declaring all the records in the possession of the regime invalid, but had discarded the idea as too drastic.

Respectfully yours,

NELSON TRUSLER JOHNSON

893.1028/2155 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 1, 1940—1 p. m.

[Received August 1—7 a. m.]

728. The deterioration of the situation at Shanghai mentioned in my 657, July 19, 1 p. m. continues:

1. My French colleague¹⁴ informs me that on July 27 the Japanese Consul General handed him a memorandum demanding that the present judges of the special Chinese courts in the French Concession cease functioning and that Nanking appointees take over their duties. French Consul General gained impression that Japanese Consul General's interest was to make the matter for record and informed his Japanese colleague that he would study the matter.

¹³ Not printed.

¹⁴ P. Augé, French Consul General ad interim.

2. I am confidentially informed Mayor Fu has now requested cooperation of International Settlement in arresting 87 proscribed Chinese. This may be an indirect attack on the Chinese courts in the Settlement. His request is receiving the Council's attention.

3. Labor troubles, apparently inspired, are increasing.

4. Japanese restrictions are effectively preventing American goods from being shipped to the interior from Shanghai.

Repeated to Chungking, Peiping. Code sent by air mail to Tokyo.

BUTRICK

893.1028/2157 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 3, 1940—noon.

[Received 1:25 p. m.]

735. My 696, July 25, 6 p. m. Terrorism in Shanghai. The following resolution was approved by the Consular Body at a meeting which adjourned at 6 p. m., yesterday:

"That the Shanghai Consular Body, considering that acts of terrorism are contrary to humanity and the cause of civilization, and having witnessed highly tragic effects of such acts in Shanghai, places on record its utter condemnation of any and every form of terrorism by whomsoever perpetrated and taking note of the actual situation in the Shanghai area urges the Shanghai Municipal Council to take full consideration of the situation in the Shanghai area, and do its utmost [to] maintain peace and order in the International Settlement by eradicating and suppressing all forms of terrorism."

The above is an amendment of a resolution presented by the Japanese Consul General reading as follows:

"That the Shanghai Consular Body, considering that the acts of terrorism are contrary to the humanity and cause of civilization, and having witnessed the highly tragic effects of such acts in Shanghai, places on record its utter condemnation of any and every form of terrorism by whomsoever perpetrated, and with that view in mind, and especially taking note of the present situation in which the area around Shanghai is under the Japanese occupation and is under the jurisdiction of the Chinese National Government recently restored at Nanking, urge the Shanghai Municipal Council to do its utmost, taking full cognizance of the above situation, to maintain peace and order in the International Settlement by eradicating and suppressing the existence and activities within the Settlement of any organization, agent or element under the influence of the Chungking Government."

As on the occasion of the previous meeting, the Japanese authorities' version of the meeting has been given to the press, presumably by the Japanese Consul General, and presumably for the purpose of impressing upon the populace that the Japanese are really the persons exer-

cising the controlling force in Shanghai. An attempt is made in the press report to give political significance to the resolution by stating that at the meeting the Japanese Consul General stressed that the words "actual situation" meant that Shanghai and its surrounding areas were under Japanese occupation and were under the jurisdiction of the Nanking government, and that an objection made to this interpretation was later withdrawn. In fact I stated at the meeting that I could not approve any resolution having a political significance and it was with this in mind that the various changes in the original Japanese resolution were made.

Here again there may be noted the apparent policy of the Japanese to further a contention that Shanghai is under military occupation by the Japanese. This would seem to be in direct conflict with the American position as expressed in the *aide-mémoire* to the Japanese Government delivered by American Ambassador on May 18, 1939.¹⁵

I respectfully suggest that the concept of the Settlement stated in that *aide-mémoire* might be reiterated at a press conference or otherwise by the Department.

Sent the Department. Repeated to Chungking and Peiping. Code text by air mail to Tokyo.

[BUTRICK]

893.1028/2160: Telegram

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

CHUNGKING, August 5, 1940—9 a. m.

[Received August 5—2:23 a. m.]

379. 1. On July 29 the Embassy received Shanghai's despatch No. 3162 of May 24¹⁶ transmitting a request from the Shanghai Municipal Council that the American Embassy support the Council in asking that the Chinese Government henceforth bear the entire expense of the judicial police, most of, if not all, the expense of the municipal jail.

2. I realize keenly the financial difficulties of the Municipal Council but I see strong objections to our asking the Chinese Government to bear an increased share of the court expenses in the Settlement. It seems unlikely that the Chinese Government would accede to the request if presented by us but I feel that even if it did so the result would be unfavorable. In the first place, an undesirable implication would arise of an additional obligation on our part toward the Chinese Government to support the court system under all circumstances which obligation we might not be able to fulfill.

¹⁵ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 842.

¹⁶ Not printed.

For the second place any transfer of responsibility from the Council to the Chinese Government might be used to strengthen the contention of the Nanking régime that the court question is purely domestic and that foreign rights are not involved and this might precipitate the necessity for an immediate decision. From every standpoint, therefore, it seems inadvisable to tamper with the present delicate situation.

3. I suggest that Butrick be instructed to inform the Council that the Embassy thinks it would be unwise at this time for it to approach the Chinese Government in regard to this matter.

Sent to the Department. Repeated to Shanghai and Peiping.

JOHNSON

898.1028/2161 : Telegram

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

CHUNGKING, August 6, 1940—noon.

[Received 1:38 p. m.]

385. Reference Shanghai's telegrams 588, July 2, 6 p. m., and 608, July 9, 7 p. m., and Embassy's air mail despatch 599, June [July] 16¹⁷ in regard to issuance of order by Wang régime for arrest of 83 prominent Chinese residing in foreign settlement at Shanghai.

The Embassy has received an urgent communication from the Ministry of Foreign Affairs under today's date stating that a reliable report has been received to the effect that in compliance with a request received from Fu Siao-en the Shanghai Municipal Council has called a meeting August 7 in order to discuss the question of cooperation in the apprehension of Chiang Po Cheng and the other Chinese in question. The note states that a separate communication has been transmitted to the British Embassy and requests in conclusion that attention be given to the matter and that a telegram be sent promptly to put a stop to this activity and to continue to extend adequate protection to the Chinese residents of the foreign settlement in question.

Repeated to Shanghai, Peiping.

JOHNSON

893.1028/2160 : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, August 7, 1940—5 p. m.

351. Chungking's 379, August 5, 9 a. m. The Department concurs in the Embassy's opinion that it seems inadvisable at this time to ap-

¹⁷ None printed.

proach the Chinese Government in regard to this matter and suggests that, unless you perceive objection, in which case you should give the Department the benefit of your views by telegraph, you confidentially so inform the Secretary and Commissioner General of the Municipal Council.

Sent to Shanghai. Repeated to Chungking and Peiping.

WELLES

893.102S/2165 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 8, 1940—4 p. m.

[Received August 8—3 : 10 p. m.]

756. Reference Chungking's 385, August 6, noon. Mayor Fu's request for assistance of Municipal Council in apprehension of persons named in Wang Ching-wei warrants.

The Secretary and Commissioner General of the Municipal Council confidentially informs me that with the object of forcing the Japanese to clearly indicate their attitude a meeting of the Municipal Council to discuss Mayor Fu's request was called for August 7 but before that date a letter was received from Mr. Okamoto, one of the Japanese councilors, stating that he did not think the matter should be discussed by the Municipal Council and that no action should be taken nor any reply made to Mayor Fu. Having thus received Japanese support of the views held by the other councilors, the meeting of the Council was not held and beyond making an acknowledgment of the receipt of Mayor Fu's letter no action will be taken by the Municipal Council.

Sent to Department. Repeated to Chungking and Peiping.

BUTRICK

893.102S/2175 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 12, 1940—6 p. m.

[Received August 12—12 : 35 p. m.]

767. Redistribution of Shanghai defense sectors. On August 9 after receipt of a letter from the British Commanding Officer that British forces would be withdrawn from Shanghai, Colonel Peck, commanding the Fourth Regiment, United States Marine Corps, addressed a letter to the Secretary of the Shanghai Defense Committee referring to that fact and requesting a meeting of the Defense Committee at the earliest practicable moment at which time he stated he would propose that the American forces take over the garrisoning and defense of the defense sector now allotted to the British

forces—that is B and southern D sectors. Copies of that letter were sent to the other members of the Defense Committee. A meeting was arranged for 11 o'clock this morning and was attended by representatives of the American, British, French and Italian forces, Shanghai Volunteer Corps and the municipal police. The Japanese sent no representative, claiming that the meeting had been called on too short notice and that it was irregular. They requested the meeting be convened by Takeda¹⁸ on August 15.

Colonel Peck, as senior officer present, acted as chairman of the meeting and presented his proposal. The Committee took cognizance of his proposal and adjourned to reconvene on the 15th.

The Japanese are apparently awaiting instructions from Tokyo. They will undoubtedly oppose the proposal of the marines. In this general connection it may be stated that the so-called Fu-Franklin Agreement of February 16 for policing the western outside roads area has never been implemented and Fu has shown a disposition to postpone by various tactics its implementation. It is possible that the Japanese and Fu are hoping to obtain full jurisdiction in that area and therefore will strenuously oppose American forces operating therein.

Sent to the Department. Repeated to Chungking, Peiping and Tokyo. Admiral Glassford is informing Commander in Chief.

BUTRICK

893.52/506

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

[Extracts]

No. 2795

PEIPING, August 12, 1940.

[Received September 25.]

SIR: I have the honor to transmit herewith a copy of despatch no. 2426 of July 17, 1940, addressed by the Consulate General at Shanghai to the Embassy at Peiping,¹⁹ inquiring whether the land office of the Consulate General should deal with the new Land Bureau of the "Shanghai Special Municipality" which recently came into possession of the land records of the former Chinese Administration at Shanghai,²⁰ and which is engaged in setting up a new Land Bureau soon to be ready to function.

The Embassy at Peiping recommends that the Consulate General be instructed by naval radio to deal with the new Land Bureau on

¹⁸ Rear Adm. M. Takeda, commanding the Japanese naval landing party at Shanghai.

¹⁹ Not printed.

²⁰ See telegram of July 6, 2 p. m., from the Consul at Shanghai, p. 752.

the same basis as with the old Land Bureau provided the new Land Bureau issues satisfactory consular title deeds and provided the British and French consulates general at Shanghai adopt a similar attitude.²¹

Respectfully yours,

For the Ambassador:
JAMES B. PILCHER
Second Secretary of Embassy

893.102S/2175 : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, August 13, 1940—3 p. m.

362. Your 767, August 12, 6 p. m.

1. It is assumed that, in connection with his offer to take over the British Defense Sector, Colonel Peck intends to proceed strictly in accordance with the messages received by Admiral Hart from the Navy Department about the end of June.

2. After consultation with Colonel Peck, and unless you or he perceive objection, please transmit urgently to the Embassy at Tokyo the following message as from the Department:

"The Department is informed that a meeting of the interested commanders at Shanghai is planned for August 15 to consider a possible revision of defense sectors in connection with an offer by the Commander of the American Marine Detachment to take over the defense sector now assigned to a British force.

Unless you perceive objection, please approach the Japanese Foreign Office at earliest possible moment in such manner as you may deem appropriate and express the hope and expectation of this Government that a new arrangement of defense sectors will be worked out in a spirit of good will and cooperation in accordance both with the principles underlying the international character of the Settlement and with the practical considerations which must be taken into account by the American and other foreign contingents."

Sent to Shanghai. Repeated to Chungking and Peiping.

WELLES

893.102S/2176 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 14, 1940—7 p. m.

[Received August 14—11:55 a. m.]

Department's 362, August 13, in further reply to Shanghai. It is suggested by Admiral Hart who is here, and I concur, that to avoid

²¹ In telegram No. 445, September 30, 7 p. m., the Consul at Shanghai was instructed to act in accordance with this paragraph "interpreting the phrase 'on the same basis as with the old Land Bureau' as meaning that the Consulate General will have such informal relations with the new Bureau as may be required for the conduct of business."

any controversial angle no reference be made formally or otherwise to prior meeting of Defense Committee at which Marine proposal was made.

Repeated to Tokyo, Peiping and Chungking.

BUTRICK

898.102S/2185 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 15, 1940—3 p. m.

[Received 3 : 50 p. m.]

782. Terrorism in Shanghai. Reference my 735, August 3, noon. On August 5 the Senior Consul circulated the text of a proposed letter from the consular body to the Chairman of the Shanghai Municipal Council. At my suggestion certain changes were made in the letter as indicated below. The letter read :

“As regards remedial measures to combat armed crime in Shanghai, my colleagues, after exhaustively exploring such possibilities as appear to be practical, have concluded that the best way to serve the purpose would be for the Council to extend and elaborate its collaboration and cooperation with the forces of law and order of all the other administrations in the Shanghai area, including the police force of the city government of Greater Shanghai, the Japanese police forces and the river police. The Council’s own police force should be strengthened as a means of accomplishing the desired object.”

I suggested that this part be changed to read :

“As regards remedial measures to combat armed crime in Shanghai, my colleagues, after exhaustively exploring such possibilities as appear to be practical, have concluded that the best way to serve the purpose would be for all police organs enforcing law and order in the Shanghai area [to arrange] for the extension and elaboration of equal mutual collaboration and cooperation. The Council’s own police force should be strengthened with a view toward taking the most effective measures against terrorism.”

The change suggested by me was adopted. No other colleagues suggested any change in the wording of the matter.

The letter as sent the Chairman, which has not been published, will be forwarded by mail. In effect it can hardly be considered constructive. In my opinion the most valuable contribution was made by the Chairman of the Council when he published his letter to the consular body and thus obtained a large measure of publicity not only here but abroad. This airing of the local situation was doubtless irritating to the Japanese and the régimes which they control and their subsequent efforts, including the publication of the remarks of the Japanese Consul General, may well have been aimed primarily toward counteracting the effect of the Chairman’s published statement, especially

vis-à-vis the Japanese. In making this observation I still hold to the opinion expressed in the penultimate paragraph of my 735, August 3, noon.

Repeated to Chungking, Peiping, code text by air mail to Tokyo.

BUTRICK

893.102S/2184 : Telegram

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

TOKYO, August 15, 1940—6 p. m.

[Received August 15—12:23 p. m.]

701. Department's 362, August 13, 3 p. m., to Shanghai. Our 700, August 15, 1 p. m.²² British Defense Sector, Shanghai.

1. In order to avoid publicity and also any impression of diplomatic intervention, I requested Crocker²³ to leave with the Foreign Office as coming from me to the Minister for Foreign Affairs an oral statement based upon the Department's instructions.

2. Crocker was called back to the Foreign Office later today and it was explained to him that the Japanese Government was displeased with the fact that a meeting had been called at the instance of Colonel Peck on August 12 at which it was understood that the proposal had been made that the American forces take over the defense of the British defense sectors. Surprise was expressed that such action had been taken despite the protest of the Japanese that the meeting was held on too short notice and the opinion that it should be convened by Rear Admiral Takeda as the Senior Officer.

3. The Foreign Office inquired whether the oral statement was meant to convey the impression that the American Government had approved of Colonel Peck's action and was now intervening in the interest of agreement on the basis of the proposal advanced at the meeting of August 12. Crocker replied that the oral statement was in no sense diplomatic intervention but that it meant exactly what it said and was merely an official expression of hope and expectation that a new arrangement of the defense sectors will be worked out in a spirit of cooperation and good will in accordance with the practical considerations by which the American and other contingents must be guided and in conformity with the principles underlying the international character of the Settlement.

4. The Foreign Office stated that no instructions had yet been sent to their representatives at Shanghai and that the result of the meeting of August 15 would be awaited. It was, however, clearly indicated that the American proposals would not be acceptable to the Japanese, and it was observed that "if a revision of the defense agreement be-

²² Not printed.

²³ Edward E. Crocker II, First Secretary of Embassy in Japan.

comes necessary any new agreement will have to be reached in the light of the now existing conditions at Shanghai and in the Far East."

Sent to the Department. Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping, Commander in Chief.

GREW

893.102S/2194a : Telegram

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

WASHINGTON, August 17, 1940—2 p. m.

313. It is the Department's understanding that at the meeting of the Defense Committee at Shanghai on August 15, Defense Sector B was assigned to United States forces and the remaining portion of the British sector assigned to Japanese forces, by majority vote, the Italians abstaining from voting and the Japanese voting "no;" and that the majority decision has been approved by the Municipal Council; but that the Japanese reserved the right to present an alternative plan and took the position that no plan should be adopted unless unanimously agreed upon; that the British forces are to be withdrawn upon the nineteenth. This Government approves the plan for United States forces to take over Sector B, in which are situated the American Consulate General and a considerable number of other important American interests, and hopes that the Japanese Government will approve it at least tentatively and will not oppose taking over of Sector B by United States forces pending final decision regarding the matter. This Government is giving authorization for the Commander-in-Chief of the Asiatic Squadron or the American Consul to give notification locally that (a) this Government approves the Defense Committee's and the Municipal Council's decision and (b) the Commander-in-Chief is prepared to proceed in accordance therewith when the British withdraw their armed forces from their sector.

Please review Department's 362, August 13, 3 p. m. to Shanghai and take up this matter immediately with the Foreign Office, saying that we consider the plan and procedure indicated thoroughly reasonable and that we hope that the Japanese Government will take the same view and will take action accordingly.

WELLES

893.102S/2194b : Telegram

The Acting Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, August 17, 1940—2 p. m.

370. 1. The Department suggests that after consultation with Admiral Hart, either you or he make appropriate notification to the local representatives of the interested powers in regard to such action

as may be taken in pursuance of the majority vote of the Defense Committee and ratification by Municipal Council, which decision is agreeable to this Government, in regard to the reallocation of the defense sectors.

2. The Department has today telegraphed Tokyo as follows:

[Here follows text of Department's telegram No. 313, August 17, 2 p. m., to the Ambassador in Japan, *supra*.]

3. Please confer immediately with Admiral Hart.

4. Please keep the Department promptly and fully informed in regard to all important developments in connection with this matter. Sent to Shanghai. Repeated to Chungking and Peiping.

WELLES

893.102S/2192 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 18, 1940—2 p. m.

[Received August 18—3:22 a. m.]

795. The British and American members of the Shanghai Municipal Council addressed a letter to Admiral Hart today stating that they consider the Japanese proposal that the Shanghai Volunteer Corps take over Sector B (from which British will withdraw their guards on the 20th) would have the most serious consequences and would in effect mean handing over that vital area of the Settlement to the Japanese and that furthermore they are of the opinion that the Shanghai Volunteer Corps is not a suitable body to hold a sector permanently.

Admiral Hart and I agree that such danger does exist and believe that all expedient pressure should be exerted on Tokyo to accept the compromise proposal approved by the Council—that is, Sector D to the Japanese and Sector B to the Marines.

Please inform the Navy Department.

BUTRICK

893.102S/2193 : Telegram

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

TOKYO, August 18, 1940—5 p. m.

[Received August 18—8:02 a. m.]

709. Department's 313, August 17, 2 p. m., Shanghai defense sectors.

1. The matter was taken up with the only official available in the East Asia Bureau of the Foreign Office this Sunday afternoon at 4 o'clock immediately following the decoding of the Department's telegram. This official was requested to convey our approach to the Minister for Foreign Affairs as urgently as possible and as coming from me.

2. This official stated that it was his opinion that the Japanese Government would not consider giving even tentative approval to the plan for the American forces to take over defense Sector B and he added that although he spoke without authority he would consider it a great favor if we would cable at once advising that no American troops be moved into defense Sector B following the withdrawal of the British troops. He indicated that such a move would be opposed by Japanese forces. The word "opposed" was not given precision.

Sent to the Department, repeated to Shanghai, Shanghai repeat to Chungking, Peiping and Commander in Chief. We are repeating also to Shanghai Department's 313, August 17, 2 p. m.

GREW

893.102S/2194 : Telegram

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

TOkyo, August 18, 1940—6 p. m.

[Received August 18—8:20 a. m.]

710. Our 709, August 18, 5 p. m.—Shanghai defense sectors.

1. The official of the Foreign Office to whom the approach referred to in our telegram No. 709 was made has just called by telephone to say that he had conveyed the substance of our approach to the Foreign Minister who approved everything which the junior official had said during the conversation, including, he stated, the request that we cable the request that American troops not move into defense Sector B.

2. He further stated that the Foreign Minister had observed that the Japanese Government was at a loss to understand why the American Government chose to act in such a precipitate manner and that in the opinion of the Japanese Government such hasty action would not contribute to a solution of the existing difficulties. The Foreign Minister added that if the American troops should occupy defense Sector B anti-American feeling might well be aroused in Japan.

Repeated to Shanghai. Shanghai repeat to Chungking, Peiping and the Commander in Chief.

GREW

893.102S/2194 : Telegram

The Acting Secretary of State to the Ambassador in Japan (Grew) ²⁴

WASHINGTON, August 18, 1940—2 p. m.

314. Your 709, August 18, 5 p. m., and 710, August 18, 6 p. m., Shanghai Defense Sector. Please communicate with the Minister for Foreign Affairs as soon as possible along lines as follows:

²⁴ Copy transmitted to the Consul at Shanghai by the Department in telegram No. 371, August 19, 2 p. m., for the information of the Consul and Admiral Hart.

With reference to the Foreign Minister's observations set forth in numbered paragraph 2 of your 710 this Government, in its desire to reach an amicable and equitable settlement of the question under reference, is prepared to continue discussions of the matter with the Japanese Government and to postpone temporarily at least occupation of Sector B pending the outcome of such discussions with Japanese Government. This Government would be reluctant to believe that the Japanese Government would permit an issue arising out of a question of this character, which is in the opinion of this Government susceptible of adjustment in a spirit of mutual good will and conciliation, to be the cause of any incident.

You may also add that the Navy Department is communicating with Admiral Hart and suggesting that he endeavor to arrange to have the Shanghai Volunteer Corps take over Sector B merely as a transitory measure pending the outcome of the discussions between the Japanese and American Governments on this matter.

WELLES

893.102S/2196 : Telegram

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

TOKYO, August 19, 1940—noon.

[Received August 19—9:30 a. m.]

711. Department's 314, August 18, 2 p. m. Shanghai Defense Sector.

1. Representations were made this morning along the lines of the Department's instructions in an oral approach as from me to the Minister for Foreign Affairs.

2. The Foreign Office expressed gratification at our decision to postpone at least temporarily occupation of Sector B and stated that the Japanese Government shared the opinion that the matter under discussion would be susceptible of amicable and equitable settlement.

3. The Foreign Office inquired whether the reference to the "discussions between the Japanese and American Governments" was meant to imply that the question was to become a matter for diplomatic discussions between the two governments or that discussions for settlement would continue to be held between the local representatives at Shanghai. The Foreign Office was informed in reply that in our opinion there was no intention whatever to interfere with the continued discussions for local settlement at Shanghai.

4. The Foreign Office observed that according to the terms of the Defense Agreement of 1925 [1931?] Sector B was technically under the Shanghai Volunteer Corps and would remain so even after the withdrawal of the British troops; that therefore it would appear desirable to allow matters to rest as they are at present pending the outcome of future discussions.

Sent to the Department. Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping, and the Commander in Chief. We also repeating to Shanghai the Department's 314, August 18, 2 p. m.
GREW

893.102S/2197 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 19, 1940—1 p. m.

[Received August 19—8: 55 a. m.]

797. Department's 371, August 18 [19], 2 p. m.²⁵ Admiral Hart had directed Colonel Peck to inform the Defense Commanders and the Chairman of Municipal Council that pending the outcome of negotiations between the American and Japanese Governments, the United States Marines will postpone occupying "B" Sector.

Vice Admiral Iwamura representing Admiral Shimada who has been conducting informal negotiations with Rear Admiral Glassford representing Admiral Hart was so informed. He seemed visibly relieved as he had previously stated that if the American Marines were to move into Sector B the Japanese would take similar action. He agreed that as an interim measure neither side should occupy Sector B.

It is expected that Shanghai Municipal Council will direct Shanghai Volunteer Corps to occupy Sector B during interim period.

I am informing my Japanese colleague in the sense of the first paragraph.

Sent to the Department and Tokyo, repeated to Chungking and Peiping. Department please inform Navy.

BUTRICK

893.102S/2199 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 19, 1940—4 p. m.

[Received 7 p. m.]

798. Shanghai Defense Sectors. On August 17 Vice Admiral Iwamura initiated the negotiations mentioned in my 797, August 19,

²⁵ See footnote 24, p. 769.

1 p. m. and the salient parts of the memoranda of their conversations will be reported later. Admiral Iwamura handed to Admiral Glassford a statement of the Japanese position with a free translation which follows:

[“] It is a sheer fact, which nobody in the whole world would deny, that Japan has, over the period of more than 3 years, in China, instituted *de facto* war and deadly fightings are going on. And it is also a fact that the whole Japanese nation have been making their utmost efforts in fighting out the incident in the earnest desire of restoring peace in the Far East without delay, thus contributing to the cause of peace and welfare of the whole world.

There may be several reasons why the Chungking Government are still keeping on their fighting and among them the following fact is to be mentioned that the International Settlement and the French Concession in Shanghai have not yet severed the political and economic ties with the Chungking Government, thus serving as a center of anti-Japanese terroristic acts and as the base of the economic activities for the important supplying depot for the Chungking Government, to the detriment of all our efforts in the blockading operations.

In spite of all these unbearable state of affairs in the Settlement and Concession, which are so small in size amid the vast areas under the Japanese occupation as could be easily occupied by the Japanese forces,²⁶ which took all the trouble of blockading the whole coast of China, occupying important cities, intercepting lines of communications and also occupying vast area of the Chinese territory, have hitherto been enduring the unbearable and refraining from taking any desirable steps, it clearly shows the high degree of patience and self-perseverance of the Japanese forces.

It is also a sheer fact that during the past 3 years, in the Settlement and Concession, encircled by the Japanese forces, so many cases of anti-Japanese activities and terroristic acts have been committed, the fact being so conspicuous that it is needless to enumerate such cases, but, on the contrary, practically no such case has taken place as inflicting damages to the life and property of the third power nationals and therefore as new [*necessitating*] existence of their own defence forces.

The preceding facts unquestionably bring forward the conclusion to the consideration as to who should justly take over the responsibility for the defence of the said area, that is, should it be carried out by the defense forces of the power whose nationals are hardly threatened with [terror], or by those of the power whose nationals and other people closely connected with them are far more threatened and inflicted with actual [harm].

It goes without saying that while the authorities vested to the administration of the Settlement merely cover the sphere of municipal administration, such as policing, promotion of the welfare of the residents, et cetera, the territorial rights on the [Settlement] area are naturally in the hands of China. Now the vast areas in and

²⁶ For correction, see telegram No. 829, August 23, 6 p. m., from the Consul at Shanghai, p. 791.

around Shanghai are very desirous [*under*] occupation by the Japanese forces, and the responsibility for maintaining peace and order in the area rests on the said forces. Therefore, upon cognizance of the actual state of affairs now existing in and round Shanghai, the responsibility which is derived from the sovereignty resting on China should now be borne by the Japanese occupying forces.

3. Upon inquiry into the matter of stationing foreign troops here in the Settlement and Concession, no authentic ground based on treaties could be found, and its origin may be traced to the incident of 1927 when the revolutionary forces threatened this area²⁷ and the Chinese authorities actually proved to be unable to fulfill the responsibility, which are inherent to the territorial rights, of maintaining peace and order in the said area, and therefore the landing of the foreign troops and stationing of the same were necessitated as unavoidable and practical steps. Under the consideration of the now existing state of affairs in the area, the above causes have now ceased to exist, the said area being actually occupied and the peace and order well maintained by the Japanese forces; the fact calls for deep and thorough attention. The standing of the Japanese forces should be regarded quite different from that of the other foreign defense forces in view of the above-mentioned facts together with the existence in the said area of numerous Chinese inhabitants hostile towards Japan.

Thus, in careful examination of that reasoning, the recently proposed step that troops other than the Japanese are to extend their defense sector, is deemed quite unnatural as well as illegitimate and it could not possibly be welcome from the side of Japan.²⁸

He asked for a statement of the American position which was presented to him by Glassford that afternoon. It follows:

"The International Settlement is an area wherein persons of all nationalities reside, and is governed by the Municipal Council, a locally created and locally maintained agency whose officers are elected by, and are responsible to its own tax payers regardless of nationality; and no power during the last century has attempted or claimed right of preponderance or predominance of influence here.

Foreign forces are stationed in the International Settlement for the purpose of assisting the Municipal Council in the protection of the lives and property of the nationals of the various countries concerned, and in connection with that duty the maintenance of order in general. The powers have in that connection both indulgence and common responsibilities.

The International Settlement defense scheme is an instrument for the discharge of these responsibilities, both common and individual; and in accomplishing the revision of the present defense scheme necessitated by the withdrawal of the British forces, no fair and reasonable adjustment can be achieved unless this fact is recognized.

The sectors allotted by the present defense scheme generally conform, in so far as the military necessities of the defense problem allows, to the geographical location of the areas wherein the respective powers,

²⁷ See *Foreign Relations*, 1927, vol. II, pp. 44 ff.

by reason of residence of their nationals, and the location of property and business enterprises thereof, have their gifted [*greatest*] interests.

The original proposals of the American forces to take over both the areas to be evacuated by the British was based upon the fact that those areas, by reason of the conditions referred to above, are regions in which American interests are greater than those of any other power that is to be represented in the new defense scheme. That is, the individual responsibility of the American forces made it greatly desirable that they be charged with the defense duties in those areas.

The American authorities are, however, fully aware of the international character of the Settlement and of the *common* responsibilities of the forces organized into its international defense scheme. Because of their appreciation of the above factors, and in their desire to obtain a just and reasonable settlement, and one satisfactory to all, the American authorities readily acquiesced to the compromise proposal offered by the municipal police, passed by the majority vote of the Defense Committee and approved by the Municipal Council.

The American authorities strongly believe that it is proper that the Settlement authorities, because of the international character of the area which they administer, should refrain from involvement in controversial matters having their origin beyond the Settlement boundaries; and, therefore, that no one power having interests in the Settlement, however extensive they may be, should take advantage of developments which have their origin elsewhere to prejudice the international character of the Settlement.

They also believe that, in view of all the circumstances now obtaining, the allocation of British defense sectors as envisaged in the compromise plan passed by the Defense Committee on 15 August is entirely just and reasonable [and] fulfills the important qualification of recognizing the common responsibilities of the defense forces as well as their individual ones, thus preserving the international character of the Settlement.

It is pertinent to point out that there can scarcely be any doubt of the fact that the international character of that portion of the Settlement contained in the present Japanese defense sector has been gravely impaired by conditions which have been permitted to arise there; and that, therefore, it is only natural that there should be some degree of apprehension on the part of all those interested in the maintenance of the international character of the Settlement as to the prospect of further areas within the Settlement boundaries being assigned as Japanese defense sectors."

While the Japanese Navy was doubtless anxious to put forth its views and to learn the views of the American side, it will be noted that as a tactical maneuver this afforded them to some extent at least a basis for stating that as the views were so divergent a compromise would be necessary. This compromise naturally would be a compromise of a compromise as the proposal that the Americans take over B Sector and the Japanese take over D Sector was in itself a compromise.

Sent to the Department and Tokyo. Repeated to Chungking and Peiping. Department please inform Navy.

BUTRICK

893.102S/2200: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 20, 1940—11 a. m.

[Received 12:58 p. m.]

803. In regard to the Shanghai Defense Sectors and with particular reference to my 797 August 19, 1 p. m., the Japanese have failed thus far to occupy Sector D from which the British withdrew their guards last night. Some of the former British posts have been taken up by the police of the local regime, and some Japanese army forces, presumably of the gendarmery, recently took up billet in that sector.

In all action taken here by the American side in regard to the Shanghai Defense Sectors, Admiral Hart has always consulted me and obtained my concurrence. On most occasions action was taken only after full consultation among Admiral Hart, Rear Admiral Glassford, Colonel Peck, Lieutenant Commander Mason of Admiral Hart's staff and myself and these conferences usually took place in my office. I have not failed to inform Admiral Hart immediately at any time of the day or night of instructions received and he has kept me likewise promptly informed. Admiral Hart is planning to depart for Tsingtao to rejoin his flagship this afternoon.

No approach was ever made to the British to remain in Shanghai as it was felt that the British Government in deciding to withdraw its troops had considered all aspects of the situation including their relations with Japanese. The Commander of the British forces informed Colonel Peck that he was under instructions from the War Office to delay withdrawing British forces from the sectors for a period of not more than two days if the Americans so requested. Colonel Peck replied that so far as American forces were concerned no such request would be made.

Sent to the Department, repeated to Tokyo, Chungking, Peiping. Inform Navy Department if deemed necessary.

BUTRICK

893.102S/2205: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 20, 1940—4 p. m.

[Received 10:20 p. m.]

804. Continuing my 798, August 19, 4 p. m. regarding Shanghai defense sectors. As in all matters we have endeavored to be reasonable and fair, it was felt that we should listen to and consider any statements or proposals which the Japanese might make, although we ourselves felt that the compromise solution passed by a majority of the Defense Committee was most fair and reasonable. It stationed

the American defense forces entirely within the Settlement while the Japanese defense forces would be left occupying both Settlement and extra-Settlement areas. While by far the greater part of the water front would remain in the Japanese defense sector, the Marines by taking over Sector B would have in their defense sector some of the water front also. If the Japanese were to take over Sector B or were in effect to control it, although the defense sector were allotted to the Volunteer Corps or left unallotted, there would be little assurance of free access to the Whangpoo in case of necessity.

Admiral Glassford has handed me memoranda of his conversations with Vice Admiral Iwamura. They are subject to confirmation by the latter before being considered as entirely authentic.

During the first conversation on the morning of August 17, nothing particular was developed other than the presentation of the Japanese statement previously transmitted to the Department and a request for a statement of the American position. Iwamura said, however, that when he had the statement of the American position, he felt sure that he could, together with his Commander in Chief, produce a formula which would serve as a basis for further discussions and that the formula might be even produced that same day. On the afternoon of August 17, the statement of the American position was handed to Iwamura by Admiral Glassford who said that it represented his private opinion, which opinion was partly shared with Admiral Hart. Admiral Glassford stated that the Japanese position was thoroughly understood, that a *de facto* war was in progress with China, that part of China was in control of forces from without which rendered the situation different from what it had been in the past but that there was, however, no assurance that the old conditions would not be restored. Admiral Glassford then pointed out that the points brought out in the Japanese statement and the argument contained therein could be used to justify the complete elimination of forces other than Japanese from the International Settlement as well as to support the present argument against the extension of the marine sector within the Settlement. Admiral Glassford stated that he hoped that he was not to be confronted by evidence that such an unreasonable attitude would be adopted by the Japanese. Iwamura was quick to see his point and was emphatic in his denial that he held any idea whatever of asking the Marines to evacuate the Settlement altogether. He added further that if the State Department should, like Admiral Glassford, read any such design on his [part] into his statement, he asked that the American Government be disabused of any such idea. A further meeting took place early on the evening of the 17th.²⁸

²⁸ For Japanese version, see second paragraph of telegram No. 829, August 23, 6 p. m., from the Consul at Shanghai, p. 791.

Iwamura said he had studied the American statement and as the Japanese and American views were so divergent, conversation on the basis of those statements seemed impossible. He then observed that the people of Japan were keenly interested in the Shanghai situation. Admiral Glassford countered that the American people were no less keenly interested in the Shanghai situation. Iwamura then stated that he would present his formula, adding that the Japanese considered Sector B as the heart of all activities on the lower Yangtze River and that too much importance could not be given to this Japanese conception. Admiral Glassford stated that he viewed Sector B likewise as regards Americans. Iwamura then proposed that the Japanese occupy D Sector and that no country occupy B Sector. He asked for consideration of his proposal. Admiral Glassford then replied as follows: that the proposal was understood; that he felt the American Government was not prepared to discuss the occupation by Japanese troops of any additional area within the International Settlement; and that the American Government would doubtless regard with keen disappointment Iwamura's proposal which was tantamount to an admission by the Japanese officials that the American point of view was not accepted by them as reasonable and just. However, in view of the fact that the Japanese did not propose to occupy any further area within the Settlement, he, Glassford, felt that the proposal could be given consideration and that he would submit it to the Commander in Chief.

A further meeting was held Sunday morning, August 18, after conference at the Consulate.

At that meeting Glassford informed Iwamura that the matter had been considered, that the Americans saw no objection to the Japanese troops taking over Sector D, but that as regards the Japanese arguments against the occupation of Sector B by the Marines, they were equally applicable to a complete withdrawal of the Marines, and it appeared that the Japanese design was to have the Shanghai Volunteer Corps take over Sector B for the purpose of keeping out the United States Marines. Iwamura was reminded that the Japanese themselves on a previous occasion had stated that the Volunteer Corps was incompetent to take over a defense sector and that therefore, by inference, the Japanese considered the Marines a less efficient organization than one which they had already repudiated. Glassford then pressed for an explanation from the Japanese as to their real objection to the Marines occupying Sector B and added that in his opinion the United States Government was not prepared to discuss any change with respect to the defense forces which in its opinion would militate against the international character of the Settlement. Therefore, the

American position adhered to the compromise plan approved by the Defense Committee and the Municipal Council and Iwamura was urged to reconsider. Glassford stated that the American view was that if the Marines should take over Sector B from the British there would be no change in the international aspects of the situation in that area, whereas the Japanese seem to be attempting to take advantage of the withdrawal of British troops in a way tantamount to admitting that a change in the general situation in Sector B was desired by them. Glassford emphasized that this was the positive view of the American authorities and he asked for an explanation why the change was desired and what should be the nature of the change. Iwamura stated that the matters were of such importance that he preferred to convey [answer] in writing. He maintains that he had intended no aspersions on the Marines and that he felt that the presence of organized troops in Sector B in support of the Shanghai Volunteer Corps and the Marines would be advantageous. In the interest of a speedy solution he urged that it be agreed upon that the Shanghai Volunteer Corps take over Sector B and added that as there would be Marines and Japanese in adjacent sectors which could be called upon in the event of emergency, there was no reason for apprehension in regard to the incompetency and inefficiency if it existed of the Shanghai Volunteer Corps. Iwamura asked if Glassford's remarks were virtually those of Admiral Hart and was informed they were. He asked if they were the fundamental views of the United States Government and whether Admiral Hart had been specifically instructed in regard to the proposals to be considered [as] made previous night. Glassford informed him that Hart was acting on instructions from the Navy Department. There followed a frank discussion as to the value of proposal B to the Americans and Japanese, both sides stating that it was of great importance to their respective interests, the Americans feeling that its international status would be jeopardized unless the Marines took over from the British or the British remained. Iwamura stated that in the Japanese view the International Settlement would become far more internationalized should the Japanese troops take over for the reason that then Japanese interests hitherto excluded would be looked out for.

It was agreed that a further meeting be held.

On the morning of the 19th at the next meeting Iwamura stated that he had received a telegram from the Japanese Navy stating that the American Consul General [*Embassy*] in Tokyo had approached the Japanese Foreign Office with the information that the State Department supported the compromise plan of the Defense Committee and

that American troops will succeed to the responsibilities of the British troops by occupying Sector B. The Japanese Government is quite opposed to this move and if the American troops go into the sector unilaterally, the Japanese troops would probably go in also and a lamentable and confusing situation would arise which the Japanese Government does not wish to happen and which it is supposed the American Government likewise does not desire. The Foreign Office has asked the American Embassy to send instructions that Marines not enter Sector B and he hoped such instructions had been received and under instructions of Admiral Shimada he asked that the Marines not enter Sector B until an agreement is reached. He said that the Japanese would not take the initiative but that, if the Americans enter, a lamentable situation would arise. Glassford then asked Iwamura for replies to his questions of the previous day. Iwamura stated that it would take several days and that it was his view that documents now being prepared by him for submission to Glassford would in reality constitute further Japanese views on this subject to facilitate a final solution. Glassford then stated that Admiral Hart had received instructions in regard to the American procedure and handed him the following:

"The United States Marines will postpone their carrying out of the compromise plan passed by the majority of the Defense Committee, and as a temporary measure, pending the outcome of negotiations in progress on the subject between the American and Japanese Governments, the American authorities acquiesce in the proposal that the Shanghai Volunteer Corps relieve the British garrison in Sector B."

Iwamura read the document and expressed his satisfaction therewith. Glassford then stated that Admiral Hart would immediately take action in accordance with the foregoing decision and asked Iwamura to convey this decision as from Admiral Hart to Admiral Shimada. Glassford stated that as negotiations were in progress between the American and Japanese Governments it was quite possible that further negotiations between them would have to be discontinued. With usual cordial amenities the conference concluded.

While not mentioned in the memoranda, Glassford stated orally that at the last interview Iwamura was visibly agitated and that upon reading the statement above referred to he leaned back in his chair, muttered an "ah", and patted his stomach in an air of relief as though a heavy burden had been lifted from his shoulders.

Department please inform Navy.

Sent to the Department and Tokyo, repeated Chungking and Peiping.

BUTRICK

893.102S/2201 : Telegram

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

TOKYO, August 20, 1940—7 p. m.

[Received August 20—12: 10 p. m.]

717. Our 711, August 19, noon. Shanghai Defense Sector.

1. The Foreign Office has just communicated to us its surprise at the news appearing in the afternoon papers attributing to the Under Secretary of State a statement to the effect that negotiations with respect to the settlement of the Shanghai Defense Sector were taking place between Washington and Tokyo. We were informed that the Japanese Government felt that negotiations taking place locally at Shanghai were progressing favorably and that it hoped that the American Government would not feel it necessary to transfer negotiations to Tokyo and to the diplomatic field.

2. We were further informed that although instructions to that effect had not been communicated to the Japanese authorities at Shanghai the Foreign Office had for some time had in mind as a possible solution of the defense sector the thought of allowing those sectors from which the British withdrew to remain unoccupied and to permit the Municipal Police authorities to assume the sole responsibility for the maintenance of order there.

3. In order to assist us in our informal discussions with the Foreign Office I would appreciate being informed whether the Department approves of our interpretation as set forth in paragraph No. 3 of our telegram under reference.

Sent to the Department. Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping and the Commander in Chief.

GREW

893.102S/2203 : Telegram

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

TOKYO, August 20, 1940—11 p. m.

[Received August 20—2: 55 p. m.]

719. Our 701, August 15, 6 p. m. During the course of a call at the Foreign Office today we were handed a document marked "oral" with the statement that it was intended to be merely by way of confirming the observations made on the occasion of the conversations referred to in our telegram No. 701.

The oral statement follows:

"The Japanese Government have noted, with satisfaction, the expression of hope and expectation of the American Government that there will be worked out, in a spirit of cooperation and good will, a new arrangement of the defense sectors necessitated by withdrawal

of the British troops. The Japanese Government share the same hope and expectation.

However, some unexpected informations were received here as regards the attitude and actions of the American authorities in Shanghai which seems not quite conforming to such spirit as emphasized by the American Government.

1. Immediately after the receipt of the notice of withdrawal of the British troops, the American marine[s] proposed, without making any preliminary exchange of views, to take over the sectors hitherto allotted to the British forces and to call a meeting of the Defense Committee on August 12. The Japanese authorities, pointing out the shortness of notice, requested to have the meeting postponed until the 15th. The Committee, however, met on the 12th, with Colonel Peck, acting as chairman in the absence of the Japanese commandant, it attempted to adopt a resolution along the line of the American proposal.

2. At the meeting of the 15th Colonel Peck refused to expose the motive of his proposal when he was requested to do so by the Japanese commandant.

3. At the meeting of the Shanghai Municipal Council on August 16 American and British members of the Council, disregarding the opposition of the Japanese members, voted for a resolution supporting the proposal, to which the Japanese commandant had not consented at the Defense Committee.

It is to be noted that the Japanese authorities on the spot have been acting in a spirit of cooperation and good will since the very beginning. They have only been prevented by precipitate American actions from working out a fair and reasonable proposal of their own and paving the way to a satisfactory settlement through preliminary talks amongst the commandants concerned. Information has now been received that the commandant of the Japanese marines in Shanghai took the initiative for holding such preliminary talks; Vice Admiral Iwamura has been in contact with Rear Admiral Glassford since August 17.

The Japanese Government do not feel it necessary for the moment to have any discussion of the matter through diplomatic channels with other governments. They are confident that the issue can be left to the discussion, in and out of committee, among commandants concerned in Shanghai."

Sent to the Department. Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping and to Commander in Chief.

GREW

893.102S/2206 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 21, 1940—3 p. m.

[Received August 21—6: 45 a. m.]

809. My 798, August 19, 4 p. m. and 804, August 20, 4 p. m., regarding Shanghai defense sectors. Admiral Glassford desires my to state

that conversations between Vice Admiral Iwamura and himself were considered private as between two accredited representatives of the two Commanders in Chief concerned. Therefore, in my opinion they should not be published but with the above in mind I see no reason why they should not be considered as official.

Sent to the Department. Repeated to Peiping, Chungking, Tokyo.

BUTRICK

893.1028/2208 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 21, 1940—4 p. m.

[Received 4:40 p. m.]

811. Continuing my 804, August 20, 4 p. m., regarding Shanghai Defense Sectors. Under date of August 20 Vice-Admiral Iwamura sent the following letter to Admiral Glassford:

“I am herewith sending you the documents concerning the reconsideration requested by you, regarding the Japanese opposition to the entrance of the United States Marines into the B Sector. I am enclosing also a memorandum No. 2 of the verbal statements I made at the subsequent meetings and my points of view.”

The first statement which is labelled “draft” reads as follows:

“You stated yesterday that there would be no objection whatever to the entrance of the Japanese forces into the Sector D, but that you could not agree to the Japanese proposal so long as you were not convinced by the reasons of the Japanese opposition to the entrance of the United States Marines into the Sector B, and asked for our reconsideration, submitting to me various questions.

I believe you have fully understood our points of view by the written statement (to be called hereafter memorandum No. 1²⁹) on the Japanese points of view showing [and] the verbal statements (submitted to you today as memorandum No. 2) I made at the subsequent meetings.

I have consulted with Vice Admiral Shimada and deliberately reconsidered, and I regret to state that we have found no reason to change our points of view which have been repeatedly stated. It is my earnest hope that a proper settlement will be reached speedily by the clear-cut compromise we have proposed and the tense situation now prevailing will be eased and stabilized.”

The item dated August 19, 1940 is “a memorandum (No. 2) of the gist of discussions between Vice Admiral Iwamura and Rear Admiral Glassford, together with a memorandum of my views in addition.[”]

²⁹ See telegram No. 798, August 19, 4 p. m. from the Consul at Shanghai, p. 771.

[“]1. I have definitely no belief that the abilities of the United States Marines are inferior to those of the Shanghai Volunteer Corps. The reason for our objection to the entrance of the United States Marines into Sector B is that it is unnatural and unreasonable to extend the sector of the United States Marines, as was explained in detail in our written statement submitted to you the other day.

2. It is alleged that the commander of the Japanese naval special landing party stated at the meeting on the revision of the defense agreement that the Shanghai Volunteer Corps was ‘incompetent’. If it is true, I believe what he meant was that in his view there had been cases where the Volunteer Corps had proved to be incompetent under particular circumstances.

I fear that the Volunteer Corps is less efficient than the defense forces of the powers, but do not consider that it is always incompetent under any circumstances. I think it can meet its tasks with due competence under existing circumstances in the International Settlement.

3. Sector B is an important area which may be called the heart of the International Settlement, and the center of the economic activities of whole China, having a close and extensive bearing upon the Chinese [*China*] incident. The people of Japan believe that the bloodshed on [*of*] their sons and brothers cannot be stopped on account of its very existence, while the Japanese forces stationed in and around Shanghai regard it as a loophole that prevents the settlement of the China incident, and they are paying close attention to the development of this question with serious concern. Thus, the utmost importance is laid upon this question by the Japanese authorities, as has been repeatedly stated in detail. Accordingly it was deemed absolutely necessary for Japan, facing as she is the serious situation, to send the Japanese forces into Sector B, and the first proposal was submitted. On the other hand, the American authorities also insisted that the United States Marines be sent into that sector, and the claims of both countries became irreconcilable. However, realizing that the situation did not warrant any loss of time and procrastination by further discussion, we have gone the greatest length in a conciliatory spirit and suggested that we refrain from sending the Japanese forces into Sector B, but instead the Volunteer Corps, which is generally neutral to both sides, take over that sector. If there is objection to the Volunteer Corps’ taking over the sector, we will agree that neither the Volunteer Corps, the Japanese forces nor the American shall take over the sector.

Except in the case of emergency, the regular military forces are not to be engaged directly in police activities, but they are expected to exercise silent influence upon the populace by their existence, and give indirect support and assistance to the police forces by their strength. In necessary cases, therefore, the above effects of the military forces may be expected from the United States Marines as well as from the Japanese forces, stationed in the sector adjoining Sector B. Means to cope with a small matter [*a situation*] in which the existence of regular military forces is absolutely necessary can be worked out by further deliberate negotiation to be conducted after a decision is reached on the general scheme.

4. The American authorities cite [*advocate*] the maintenance of the international character of Sector B. From our point of view, however, it cannot be considered that the sector had the international character including Japan, although it may have had such a character excluding Japan.

The Japanese authorities hoped to attribute to Sector B a truly international character including Japan, and deemed it advisable in this regard to send the Japanese forces in that sector for the purpose of rectifying the unbalanced state of affairs which had prevailed. However, owing to the circumstances previously stated, we have adopted a conciliatory attitude and submitted a proposal to have the Volunteer Corps take over the sectors, which was in our judgment only a second best plan. The Volunteer Corps may be best suited for the purpose, so far as the question of the international character is concerned.

4a. The second and third clauses of our written statement submitted to you previously are the fundamental principles, while the substance of the Japanese contention is that it cannot be approved as it is unnatural and unreasonable to extend the defence sector in the International Settlement and its neighborhood of other forces than either the Japanese forces or the Chinese forces approved by the Japanese. Accordingly we have no intention to demand the withdrawal of the American forces on the basis of the said clauses, nor do we consider that we have the right to submit such a demand under existing circumstances.

5. It had to be [*has been*] alleged that the Settlement is an independent body free from outside influences. In an international community, so complicated and so organically composed as it is today, such a state of affairs can not exist in actuality, although it may be conceived as a mere idea or hope. Especially in such relationship as between Japan and Shanghai, which is not only so close to Japan but also given considerable effect to her vital problems, Japan can by no means consider any question apart from actualities.

6. One argument had it that Shanghai had been built up by the western people in western fashion after a long period of efforts. On the other hand, it may be argued that from the viewpoint of the eastern people Shanghai was established upon the soil inhabited by the eastern people by exploiting largely the materials which they produced with sweat and labor. We believe that such an argument and counter-argument can be continued indefinitely only to serve no useful purpose."

In transmitting the above to Admiral Hart, Admiral Glassford makes the following comments that in Iwamura's memorandum the second sentence of section 3 seems to be the Japanese answer to his question as to why a change in the existing status of the Settlement is desired while the last sentence of the first paragraph of numbered section 3 leads to the conclusion that the Japanese would agree to the present interim arrangement becoming a final one. Admiral Glassford comments that the last sentence of section 3 gives a clear indication of what the Japanese method of procedure will be in any

future negotiations. Admiral Glassford considers that section 4 is the essence of the Japanese contention and that it is of interest to see it put in writing. Admiral Glassford has informed Admiral Hart that this contention seems from the American point of view untenable if the political and economic integrity and international character of the Settlement is to be preserved.

This telegram brings the Iwamura-Glassford conversations and exchanges of correspondence to a close and it is not considered likely that Iwamura will attempt to make any changes in the memoranda prepared by Admiral Glassford, preferring to consider it as the latter's version of their conversations.

Please inform Navy.

Sent to the Department and Tokyo. Repeated to Chungking and Peiping.

BUTRICK

893.102S/2203 : Telegram

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

WASHINGTON, August 21, 1940—6 p. m.

319. Your 711, August 19, noon, 719, August 20, 11 p. m., and Department's 317, August 20, 7 p. m.,³⁰ Shanghai Defense Sectors.

1. The Department authorized assent by the American authorities at Shanghai to assumption of responsibility in Sector B by the Shanghai Volunteer Corps as a temporary measure and pending arrival by processes of agreement at a definitive solution.

2. In view of the statement made by an officer of the Foreign Office that if American marines moved into Sector B such a move would be opposed by Japanese forces, the Department inferred that discussion of this question will necessarily have to be carried on between Tokyo and Washington even though discussions might simultaneously be continued at Shanghai. Unless the Japanese authorities at Shanghai give favorable consideration to the solution voted by the majority of the Defense Committee and approved by the Municipal Council, which appears to this Government to offer an eminently fair and practicable arrangement, this Government feels that the only course open to it will be to present its views fully to the Japanese Government.

3. If you feel that a reply to the oral statement contained in your 719, August 20, 11 p. m. is required, the Department suggests that you say that in as much as a meeting of the Defense Committee was held on August 15, at which the Japanese member of the Defense Com-

³⁰ Latter not printed.

mittee was present and at which he had ample opportunity to express his views, you would assume that further discussion of the question of the manner in which the meeting of August 12 was called would not serve any useful purpose. With reference to the statement that at the meeting of the Shanghai Municipal Council on August 16 American and British members of the Council, disregarding the opposition of the Japanese members, voted for a resolution supporting the proposal to which the Japanese commandant had not consented, we feel that, while the Japanese members of the Municipal Council are of course entitled to vote in accordance with their views, if that view is correct, it would *ipso facto* also be a fact that each and every member or group in the Council is likewise entitled to vote in accordance with his or its views.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

WELLES

893.102S/2210 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 22, 1940—3 p. m.

[Received 9:13 p. m.]

817. Tokyo's 719, August 20, 11 p. m. The circumstances regarding the meeting of the Defense Committee called by the secretary at the instance of Colonel Peck were reported in my 767, August 12, 6 p. m. The secretary's notices actually went out on August 10 and all parties, therefore, had 2 days to consider the matter before the meeting. The oral statement of the Japanese Government must be considered at variance with the facts. The meeting of the Defense Committee on August 12 was attended by all interested parties except the Japanese. There was no attempt to adopt any resolution. The meeting took cognizance of the agenda which was the American Marine proposal for taking over both sectors, took cognizance of the Japanese written objection to the holding of the meeting and adjourned without action and without discussion in deference to the wishes of the Japanese. At the meeting on the 15th Colonel Peck stated that in proposing that the Marines take over both sectors he did so as the Marines were a non-belligerent force and in view of the American interest in those sectors Colonel Peck refused to enter into lengthy arguments with the [Japanese?] as to the relative merits of the Marine proposal and the Japanese proposal, stating that all members present were cognizant of all the facts in the situation and that a lengthy defense of the American proposal was unnecessary. The

action taken at the meeting on the 15th was reported by the Navy to Washington and by me to Tokyo, Peiping and Chungking in my August 15, 4 p. m. It should be added that at that time Rear Admiral Takeda, the chairman of the meeting appointed a committee to study and clarify the issues in regard to the manner of calling meetings as there seemed to be a difference of opinion whether the secretary had power to call a meeting. Here I may state parenthetically the fact that all parties, except the Japanese, attended the first meeting [which?] seems to indicate that all parties except the Japanese felt that the secretary had full power to call the meeting. I may also add that the chairmanship of the Defense Committee is also in dispute between the British and Japanese commandants and this fact lends more force to the calling of a meeting by the secretary of the Defense Committee. In the meeting of the 15th the matter of who is the chairman was avoided by the non-attendance of the British commandant due to illness.

As regards the action taken by the Shanghai Municipal Council, the Japanese contention would seem to be that no action can be taken by that body when opposed by the Japanese members of the Council—an impossible condition.

The penultimate paragraph of the oral statement may be taken in two ways—if the Japanese “fair and reasonable proposal” was that which they presented to the Defense Committee after 6 days consideration, namely, that they occupy both sectors, it was in fact prevented by American action. The compromise proposal adopted by the majority of the Defense Committee and with the affirmative vote of the American member is evidence in itself of a fair and reasonable attitude of the Americans. The Japanese attitude on the contrary might well be said to be otherwise as they were the only one to vote against the compromise proposal.

As to the Japanese concept of a “spirit of cooperation” we can only judge by future developments but in general I may comment that the word “cooperation” seems to be interpreted by them to mean agreeing to their plans and proposals.

The above telegram has been prepared in conjunction with Colonel Peck who was present at both meetings of the Defense Committee.

Sent to the Department. Repeated to Chungking, Peiping, Tokyo and Tsingtao for the Commander-in-Chief. Department please inform Navy if deemed necessary.

BUTRICK

893.102S/2211 : Telegram

*The Consul at Shanghai (Butrick) to the Secretary of State*SHANGHAI, August 22, 1940—5 p. m.
[Received August 22—2:05 p. m.]

820. Reference my 811, August 21, 4 p. m. Rear Admiral Glassford met Vice Admiral Iwamura by appointment at the latter's request this morning. The latter stated that Tokyo is not negotiating with Washington and that the Japanese Foreign Office had requested the American Embassy at Tokyo so to inform Admiral Hart with the request or suggestion that he and Glassford be authorized to continue their conversations. Glassford replied that he was not in receipt of such instructions but that he was willing to carry on purely private conversations if so desired. Iwamura replied that he was representing Admiral Shimada and that he preferred not to begin conversations until Glassford's position was made entirely clear, especially with reference to any present negotiations between Washington and Tokyo.

Sent to the Department and Tokyo. Repeated to Chungking, Peiping, and Tsingtao for the information of Commander-in-Chief. Department please inform Navy Department.

BUTRICK

893.102S/2223a : Telegram

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

WASHINGTON, August 23, 1940—6 p. m.

321. Please seek an early interview with the Minister for Foreign Affairs and renew representations in the matter of the Shanghai defense sectors along lines substantially as follows:

This Government is gratified to note that the Japanese Government shares the opinion of this Government that the matter of the Shanghai defense sectors is susceptible of amicable and equitable settlement.

With reference to the inquiry of the Foreign Office whether this Government's reference to the "discussions between the Japanese and American Governments" was meant to imply that the question was to become a matter of diplomatic discussions between the two Governments, this Government is of the opinion that unless the Japanese military authorities at Shanghai should decide to reconsider their position with respect to consideration of the proposal for re-allocation of the sectors upon the basis recommended by the Defense Committee and approved by the Municipal Council, it would seem that this Government has no alternative to presenting its views to the Japanese Government.

With reference to the suggestion that Sector B hereafter be given the special protection of the Shanghai Volunteer Corps only, it is observed that the Shanghai Volunteer Corps is an organization com-

posed largely of volunteers whose military duties are subsidiary to their normal business activities and who cannot reasonably be expected to assume and discharge, except for brief periods, the responsibilities of affording special protection to a sector of the International Settlement. To this Government that proposed disposal of the problem appears not practicable.

This Government attaches importance to the reasonable position taken by the majority of the Defense Committee and by the Municipal Council in allocating Sector D to the Japanese forces and Sector B to the American marine detachment. To it that solution seems definitely favorable to Japan, especially in light of the fact that Japanese forces already occupy a large section of the Settlement (Hongkew), including a long frontage on the Whangpoo.

This Government believes that the principles underlying the international character of the Settlement should be supported and maintained by all parties having legitimate interests in the Settlement.

The views of this Government in regard to this point have on various previous occasions been made known to the Government of Japan. Shanghai is a great cosmopolitan center, with a population of over 3 million, a port which has been developed by the nationals of many countries, at which there have prevailed mutually advantageous contacts of all types and varieties between and among the Chinese and people of almost all other countries of the world. At Shanghai, there exists a multiplicity of rights and interests which are of inevitable concern to many countries, including the United States. Since the earliest days of the International Settlement it has necessarily been the policy of the Municipal Council, an agency of government whose officers are elected by the taxpayers of the Settlement regardless of nationality, to avoid involvement in controversial matters arising from causes beyond the Settlement boundaries. Inasmuch as the rights of the various powers having interests in the Settlement flow from treaties and international agreements and can be altered or modified only by the consent of the parties thereto, those rights are not and cannot be affected by such controversial matters. The Settlement authorities have made and are making great effort to deal with the realities of the current very difficult problems which confront them and they are entitled to expect every consideration from the civil and military agencies of all the interested powers in assisting them to remain aloof, consistently with the unique international character of the Settlement, from controversial matters arising from causes beyond the Settlement boundaries. And logically flowing from these circumstances is the premise that no one power having interests in the Settlement, however extensive they may be, should, because of developments which have their origin elsewhere, take a position in or with regard to the Settlement which will tend to prejudice or destroy the international character of the Settlement.

For the purpose of assisting the Municipal Council in the protection of the lives and property of the nationals of the various countries concerned and in the maintenance of conditions of peace and security in the Settlement, the several treaty powers, including the United States and Japan, have found it necessary during recent years to station a limited number of their armed forces in the Settlement on a temporary basis. As for the American forces, their sole mission has been assist-

ance towards maintenance of conditions of peace and security, and it has been the desire and the intention of the American Government to withdraw these forces when performance of their function of protection is no longer called for; such remains this Government's desire and expectation; and this Government has so declared publicly on several occasions. Meanwhile the American landed force constitutes an integral part of the "defense" scheme of the International Settlement under which the sectors allotted to forces of various nationality conform in general, in so far as the necessities of the defense problem allow, to the areas in which the respective powers, by reason of the residence of their nationals and the location of property and business enterprises, have their material interests. The original proposal of the American forces to take over both of the areas about to be evacuated by the British was based upon the fact that those areas are regions in which American interests are greater than are those of any other power that is to be represented in the revised defense scheme. In regard to Sector B those considerations are especially pertinent.

Keeping in mind the international character of the Settlement, the American local authorities, when there was presented a compromise proposal which provided for the occupation of Sector D by the Japanese forces and occupation of Sector B by the American forces, readily agreed to that compromise.

This Government considers that the solution thus proposed and voted by the majority is in harmony with the principles underlying the international character of the Settlement, and it does not believe that the lack of unanimity in the voting is sufficient ground upon which to reject that solution, especially as unanimity would be impossible to attain if any one commanding officer continued to vote "no" to that suggested solution and the same or any other commanding officer were to vote "no" to other suggested solutions.

The American Consulate General and important American business interests are situated in Sector B. This Government considers it important that there be assured freedom of communication between the Consulate General, the American marine detachment ashore, and the American naval vessels lying in the Whangpoo River.

It is understood, of course, that the presence of any armed forces other than Chinese at Shanghai has been and is a temporary expedient. Both the Japanese Government and this Government have declared such to be their view, and each has announced its intention to withdraw its forces when conditions prevail in which their presence is no longer called for. The paramount consideration, therefore, in considering and deciding upon disposal of the forces for special protection, should be that of best meeting the requirements of the local situation under existing circumstances.

It is suggested that, in accordance with your usual practice, you furnish the Minister for Foreign Affairs with an informal memorandum to serve as a record of your oral presentation of the foregoing subject matter. The Department desires, however, that in addition you communicate orally and without written record certain further observations, as set forth below, which should not be included in

the memorandum unless you consider that their inclusion would tend to have a favorable effect toward achieving the objective of your approach, as follows:

This Government considers it important that a solution of this question be reached by agreement upon an equitable arrangement. Any other procedure and arrangement would raise very serious questions involving for this Government the necessity to revise the lines of its policy toward the protection of American interests in China. In regard to lines along which this Government would be compelled to think, we consider that insistence by the Japanese Government on a solution at Shanghai which rejects and overrides the reasonable and equitable solution offered by vote of the majority of the Defense Committee and the approval of the Municipal Council would be unsatisfactory from the point of view of American interests at Shanghai in general and from the point of view of the practical and appropriate functioning of our marine detachment in particular. It might at first thought appear to the Japanese Government that continued opposition to the occupation of Sector B by the American forces would be to Japan's advantage, but we believe that on reflection it will be realized that insistence by the local Japanese authorities upon the position adopted by them would produce a situation inherent within which and flowing from which there would be substantial disadvantages to Japan. This Government might, in that event, find it necessary to make public a full exposition of the situation which had developed. The explanation would necessarily include a statement that the Japanese Government had taken the position that Japanese interest and concern were paramount and exclusive. The publication of this explanation would, in view of the cumulative effect of the large-scale interference by Japanese authorities with legitimate American activities in China and the agitation which Japanese agencies have conducted against American citizens and their interests, inevitably call into question the policy of patience which this Government has consistently pursued in its relations with Japan, and this Government would have to examine anew in the light of this situation the many benefits which this country has continued to extend to Japanese commerce and nationals in this country—with a view to making the treatment accorded by it to that commerce and those nationals more nearly reciprocal with that which is being accorded by Japanese authorities to American commerce and American nationals in China.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping and to Tsingtao for information Commander-in-Chief.

HULL

593.1028/2216: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 23, 1940—6 p. m.

[Received 9:40 p. m.]

829. With reference to the last substantive paragraph of my 811, August 21, 4 p. m. Vice Admiral Iwamura has verified the Glassford

minutes of their meetings with certain exceptions which so far as I can see make no vital changes in the telegraphic report submitted by me. In his transmittal letter Iwamura states to Glassford, "I hope you will make full use of the written memorandum sent to you under date of August 17 [20]." This refers to the statement quoted in my 798, August 19, 4 p. m. from which Iwamura has requested that the phrase "as could be easily occupied by the Japanese forces" in paragraph 3 of section 1 be deleted as due to faulty translation.

With reference to the meeting which took place on the evening of August 17 reported in my 804, August 20, 4 p. m., Iwamura asks that his remarks as he recalls them be considered to have the following effect:

"I have had time to study the written statement of the American position submitted to me earlier in the afternoon. As I have stated already, the divergence between our views arises from the difference in our starting points; and I shall not enter a controversy on that point since I do not believe any conclusion could be reached in that way. However, I do want to stress the following two points:

Firstly, a vital difference between us was to be found in our conceptions of the relative magnitude of our respective interests. For Japan it involved the question of our life or death as a nation; and since we were engaged in a struggle for our very national existence, the people of Japan, and particularly the Japanese forces stationed in this area, were very alert as to present developments in Shanghai and were observing the situation with a keen desire to see it settled favorably. For America, on the other hand, I believe that this question is primarily one of business interests in a region far removed from the home country.

Secondly, 'Sector 6-B' might be called the heart of Shanghai, as well as the center of all the economic activities of China. As such, this sector serves as the basis for the continuance of China's resistance. In that sense, 'Sector 6-D' is not to be compared in importance with 'Sector 6-B'.

I trust that you will give your most careful consideration to the above two points. However, since this question called for speedy settlement in the interest of the maintenance of peace and order in this area, as well as of the continuance of cordial relations between America and Japan, we were ready to go the greatest length in taking an attitude of conciliation and to put forward clear cut problems without delay."

Sent to the Department and Tokyo. Repeated to Peiping and Chungking. Department please inform Navy. Admiral Glassford has mailed complete records of his activities in this case to Commander in Chief.

BUTRICK

893.102S/2215 : Telegram

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

TOKYO, August 24, 1940—4 p. m.
[Received August 24—6 : 51 a. m.]

743. Department's 319, August 21, 6 p. m. Shanghai's 811, August 21, 4 p. m.; and 829, August 23, 6 p. m., Shanghai defense sectors.

1. The oral statement to which reference is made in the first sentence of paragraph No. 3 of the Department's 319, does not, in our opinion, require a reply and, in view of the expressed disinclination on the part of the Foreign Office to have the discussions transferred to Tokyo, we are reluctant to approach the Foreign Office again in this matter until and if we are instructed to undertake discussions here.

2. We have been orally informed this morning by the Foreign Office that the Japanese authorities at Shanghai have been authorized to continue to endeavor to reach a local settlement.

3. In the light of the above any approach to the Foreign Office by us at this time excepting under express instructions would be open to misconception.

Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping and to Commander-in-Chief.

GREW

893.102S/2252

The Secretary of the Navy (Knox) to the Secretary of State

Serial No. 07113

WASHINGTON, August 24, 1940.

SIR: Admiral T. C. Hart, U. S. N., Commander in Chief of the Asiatic Fleet, has informed the Navy Department that the permanent garrisoning of Sector "B" of the Shanghai Defense area by the Shanghai Volunteer Corps would be fraught with the danger of encroachment by Japanese activities, either openly or by underground methods; and that this encroachment would impair the administrative and police powers of the municipal authorities. He states that the prevention of this development is vital to United States interests and greatly influences the entire Chinese situation. He emphatically urges that the United States Government, in its negotiations insist upon assignment of our marines to Sector "B".

The Navy Department heartily supports and approves Admiral Hart's recommendations.

Respectfully,

FRANK KNOX

893.102S/2224 : Telegram

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

Tokyo, August 27, 1940—6 p. m.

[Received August 27—9:10 a. m.]

756. Department's 321, August 23, 6 p. m. Shanghai Defense Sectors.

1. Action taken today. The Minister for Foreign Affairs said that he would do his best to bring about an amicable and equitable settlement of the controversy.

2. Mr. Matsuoka, speaking off the record, said that the difficulty was in part due to the fact that many of the military people believe that the American proposal to take over the sectors formerly allocated to the British was occasioned by "British intrigue", especially as the Japanese were not consulted sufficiently in advance of the Defense Committee meeting of August 12. The military furthermore regard Sector B as of greater importance than Sector D. The Minister said that he does not necessarily share these views but thought that I ought to know what the military people were thinking. In reply I repeated the outstanding factors in the American point of view which I had already presented point by point with the utmost clarity.

3. I asked the Minister if he had thoroughly grasped the several points brought out in the second part of my instructions of which no written record was to be presented. Mr. Matsuoka replied that he thought he had grasped them, but that it would help him very much if I would give him a transcription of the second part of my instructions for his personal use exclusively. Believing that compliance with his request would tend to have a favorable effect toward achieving the objective of my approach, I thereupon left with the Minister a paraphrase of the second part of my instructions on his personal undertaking (1) that this record would not be placed on the files of the Gaimusho,³¹ and (2) that he would return the paper to me after personal study. The Minister agreed to this understanding and while handing the first paper to his private secretary he placed the second paper in his pocket.

4. The conversation continued for an hour during which the Minister discussed in objective vein his friendly attitude toward the United States and his constant endeavor to impress his compatriots with the gratitude which Japan owes to the United States for the latter's past assistance and support in many directions. On the other side of the picture he said that he had never been able to understand the action of the United States Government in suddenly abrogating

³¹ Japanese Foreign Office.

our treaty³² without warning which he compared to a sledge hammer blow delivered by one friend to another. In similar vein, but without associating the two subjects, I dwelt in some detail on the cumulative effect of the depredations against American citizens and American interests on the part of Japanese forces in China.

Repeated to Shanghai.

GREW

893.102S/2224 : Telegram

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

WASHINGTON, August 28, 1940—7 p. m.

326. Paragraph numbered 2 of your 756, August 27, 6 p. m. Please seek an early occasion to inform Mr. Matsuoka that so far as this Government is aware there was no intrigue and no understanding with regard to the question of the disposal to be made of the sectors formerly allocated in the defense plan to the British forces and that we were given by the British very short notice of their intention to withdraw their forces from their sectors.

HULL

893.102S/2211 : Telegram

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

WASHINGTON, August 29, 1940—7 p. m.

328. Unless you perceive objection, please repeat the following telegram to Shanghai as from the Department:

"Your 820, August 22, 5 p. m. Department assumes that you are keeping Admiral Glassford informed of conversations at Tokyo and that if and as conditions permit Admiral Glassford will continue his conversations with Japanese naval authorities with the object of reaching a solution along the lines of the majority decision of the Shanghai Defense Committee.

Please repeat to Chungking and Peiping."

HULL

893.102S/2233 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, August 31, 1940—6 p. m.

[Received 6:30 p. m.]

856. Department's 328, August 29, 7 p. m. received via Tokyo and repeated to Chungking, Peiping and Tsingtao for information of Commander-in-Chief.

³² Treaty of Commerce and Navigation, signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315; for notice of termination, see note from the Secretary of State to the Japanese Ambassador, July 26, 1939, *ibid.*, 1939, vol. III, p. 558.

Admiral Glassford has been kept informed and we have been in frequent consultation. This message has been prepared in collaboration with him.

1. So far as we are able to deduce here, there is no change in the Japanese attitude toward this problem outlined in Iwamura's memorandum (No. 2) contained in my 811, August 21, 4 p. m. and which briefly is that the Volunteer Corps garrison Sector B or that Sector B be left without garrison and that the Marine forces and the Japanese forces act in Sector B when necessary. With the above in mind, and considering the Japanese concept of the special status of Japanese forces in this area as brought out in Iwamura's statement of the Japanese position contained in my 789 [798], August 19, 4 p. m., and giving due consideration to the boring-from-within and other tactics frequently employed by the Japanese to attain their objectives, and considering further that in our opinion and with all due deference [to] the statements of the Japanese Minister for Foreign Affairs contained in Tokyo's 756, August 27, 6 p. m. which has been repeated to Tsingtao for the Commander-in-Chief, there does not appear to us sufficient grounds for believing that the Japanese have receded from their position previously outlined in this telegram.

2. If the Department considers that conditions permit further negotiations here, we would greatly appreciate Ambassador Grew's opinion as to the effect of his representations at Tokyo upon negotiations here.

3. The Japanese have not occupied Sector D and in general conditions in that area have been remarkably quiet recently. We cannot but feel that this has been accomplished through orders and for the purpose of citing an example of the efficacy of the police of the local régime in maintaining peace and order and as an argument in support of the Japanese formula for disposing of the Sector B problem. The active duty status of the Shanghai Volunteer Corps is already being felt by them as somewhat of a burden. It is understood that this feeling emanates not from the volunteers but from their employers, some of whom are loath to release their employees for volunteer duty. Prior to ordering out volunteers the Council had an informal poll among British and American members and the vote was only 4 to 3 in favor of calling out the volunteers. There exists a feeling in some quarters that unless the Marines take over Sector B it is best to come to terms with the Japanese and to become friendly with the Wang Ching-wei régime, which many quarters now feel will be dominant in this area for some time to come.

It is rumored that many prominent local Chinese have "made peace" with the Wang régime, presumably at a price.

American businessmen are convinced that unless the Japanese change their attitude toward American business soon, American businesses would find themselves in the same position in China as in Manchuria.

4. For the considerations mentioned in the foregoing paragraph, the element of time is important and it would seem advisable to initiate final conversations as soon as possible looking towards the solution indicated in the Department's 328, August 29, 7 p. m.

Sent to Department. Repeated to Chungking, Peiping, Tokyo and Tsingtao for information of the Commander-in-Chief.

BUTRICK

893.102S/2234 : Telegram

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

TOKYO, September 1, 1940—3 p. m.

[Received September 2—8:40 a. m.]

773. Shanghai's 856, August 31, 6 p. m., paragraph numbered 2. If no reply to my representations of August 27 is received by me from the Minister for Foreign Affairs within the next few days, I think it would be appropriate to seek a further interview with the Minister under instructions and to bring to his attention the urgency of an early amiable and equitable settlement of the sector controversy with special reference to paragraph numbered 3, third and fourth sentences, of Shanghai's 856, to the effect that the active duty status of the Shanghai Volunteer Corps is already becoming a burden to the employers of the volunteers. This would at least afford an opportunity to ascertain possible developments in connection with the avowed intention of the Minister to assist towards a settlement and would convey a further indication that we are not disposed to accept a long continuance of the present situation.

I shall await further precise instructions.

Repeated to Shanghai, Chungking, Peiping and Tsingtao for Commander-in-Chief.

GREW

893.102S/2238 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 4, 1940—5 p. m.

[Received September 4—6:58 a. m.]

869. Glassford will shortly resume informal conversations with Iwamura, informing him that we propose to carry out compromise decision of Shanghai Defense Committee at early date and requesting

agreement. Minor modifications may develop from conversations which will be acceptable to both sides.

Hart here.

Sent to the Department and Tokyo.

BUTRICK

893.1028/2245 : Telegram

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

TOKYO, September 4, 1940—11 p. m.

[Received September 5—6: 50 a. m.]

791. 1. Owing to the temporary illness of the Minister for Foreign Affairs, the Vice Minister ³³ asked me to call this afternoon and with reference to my representations of August 27 with regard to settlement of the question of the defense sectors at Shanghai he said that the Minister had asked him to hand to me two papers, (1st) an "off the record" statement which follows in paragraph numbered 4 and (2d) an "oral" statement which follows in paragraph numbered 5 below. From the first paper the Department and Shanghai will note that the Minister does not consider that the negotiations in Shanghai have reached an impasse and is informed that the local Japanese authorities are trying to formulate another plan.

2. Mr. Ohashi said that the Minister had asked him to say to me that he could not understand why an issue of such trivial importance should bring threats from the American Government. I replied that in the first place we did not regard this issue as trivial but that on the contrary we considered it a matter of grave importance because it involved the whole question of the status of the International Settlement, as I had taken occasion to point out in detail to Mr. Matsuoka in our conversation on August 27. In the second place, we had uttered no "threats"; international relations were inevitably based upon reciprocal consideration of each other's rights, and after 3 years of patience and restraint in the face of cumulative provocations on the part of Japanese authorities in China, the term "threats" was not an appropriate expression to apply in connection with a logical reciprocal adjustment of international relations. As Mr. Ohashi said that owing to his absence of 7 years from Japan he was not familiar with these matters, I briefly sketched out for him some of the various large-scale interferences with legitimate American activities in China. I requested the Vice Minister to convey to Mr. Matsuoka the foregoing reply to his message and I shall take occasion to repeat it at my next meeting with the Minister.

³³ Chuichi Ohashi.

3. With reference to paragraph numbered 5 of the "oral statement", I explained that one of the chief reasons why we seek an early settlement of the sector controversy is the fact that the Shanghai Volunteer Corps does include professional men and others who are needed by their respective employers and should not be called upon for such service for an extensive period. My attempt to discuss other points in the "oral statement" met with the reply that the Vice Minister was not sufficiently familiar with the problem to enter into a detailed discussion. I said that my Government would wish to study the document before instructing me further.

4. The Minister's reputedly off the record paragraph.

"I do not consider that the negotiations on the spot have reached an impasse, but believe that through further conversations between the Japanese and American military authorities, it ought to be possible to come to a conclusion satisfactory to both Japanese and American Governments. The partition of Sector B and D between Japanese and American forces is not necessarily the only way of solution.

I am told that Japanese authorities on the spot are exerting special efforts in order to surmount difficulties and that they are trying to formulate another plan. Any effort on your part along the same line will be greatly appreciated.[²]

5. Text of "oral statement" by the Japanese Foreign Minister:

"(1) The Japanese Government, in their treatment of the defense sector in Shanghai, have not been unmindful of the international character of the Settlement. Were they to suggest that the American forces be withdrawn from their own sector, they might well be accused of an intention to alter or impair the international status of the Settlement. It is difficult for them to believe that the present Japanese proposal could in any way warrant such an accusation. It must, however, be pointed out that the so-called international character of the Shanghai Settlement should be interpreted in a strict sense. The meaning of the phrase should not be so stretched as to serve the interests of the third powers only. Due account should naturally be taken of the Japanese position.

(2) Moreover the sovereignty of the Settlement rests in China, and the environs of the Settlement are in the hands of Japanese forces. The Settlement does not, and cannot, exist separately from its environs, and the interior of the Settlement is bound to be affected by such substantial changes in its exterior as its occupation by Japanese forces or the emergence of a new Chinese municipal government. Furthermore, in view of the important role the Settlement has played, and is still playing, in the present conflict, the American Government will readily appreciate the deep concern Japan must necessarily entertain in any change occurring within the Settlement.

(3) The defense agreement essentially relates to the landing of foreign forces and not to the Municipal Council or Volunteer Corps. It was signed by each of the commanding officers of the powers concerned; any alteration thereof can only be effected by a unanimous agreement of all the commanding officers. In the course of a meeting

of the Defense Committee on August 15, it is true, a vote was taken as a matter of procedure to ascertain the opinion of all others concerned on a certain solution of this problem. But the so-called "majority" in this case consisted, in fact, apart from the American volunteers [*vote*], of the vote of the British [Army] about to evacuate and of those of the Municipal [Council] police and the Shanghai Volunteer Corps, both of which have been known as real parties to the agreement.

(4) The defense agreement mentions the "external aggression" by Chinese armed forces and "internal disorder" caused by reactionaries in the Settlement. There being practically no possibility of any serious disturbances within the Settlement after the establishment of peace in its environs by Japanese forces, the *raison d'être* for the defense agreement may be said to have largely gone. In case any revision of the agreement is to be undertaken, even for temporary purposes, these circumstances should be taken into full consideration and provisions made so as to enable the Settlement police, and when necessary the Volunteer Corps, to be used to the maximum degree possible.

(5) The fact that the Shanghai Volunteer Corps includes professional men appears to have been overlooked by the American authorities. The Japanese Government considers that the said Shanghai Volunteer Corps will prove adequate for the defense of Sector B under the existing circumstances. The above claim is not made in order to support the proposition that the Sector B should be allocated to the Volunteer Corps by all means. It is also to be recalled that the defense agreement of 1931-1934, signed by the American Commandant and approved by the American Government, allotted Sector B to the Volunteer Corps. In case Sector B should again be allotted to the Volunteer Corps, the communication between the Whangpoo and the American forces on the shore will be maintained in the same manner as when the Volunteer Corps at first and British forces later had the said sector in charge. Assurances might be given, if desired, to the effect that Japanese forces have no intention to interfere with the said communication."

Sent to the Department via Shanghai. Repeated to Chungking and Peiping.

GREW

893.1028/2246 : Telegram

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

TOKYO, September 4, 1940—midnight.

[Received September 5—6: 45 a. m.]

792. My 791, September 4, 11 p. m.

1. After the Vice Minister for Foreign Affairs had completed his reply to my representations of August 27 with regard to the defense sections at Shanghai, I informed Mr. Ohashi of the instructions contained in Department's 334, September 3, 6 p. m.,³⁴ paragraph

³⁴ *Foreign Relations, Japan, 1931-1941, vol. II, p. 291.*

numbered 2, in order to have understood the urgency of an early settlement.

2. In the course of the conversation I took occasion to reply to the Foreign Minister's "off the record" remarks on August 27 by conveying, also "off the record", the substance of Department's telegram 326, August 28, 7 p. m., with the request that these observations be communicated to Mr. Matsuoka.

GREW

893.1028/2247 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 5, 1940—10 p. m.

[Received September 5—3:15 p. m.]

875. In accordance with intention previously reported to Department and Tokyo, Glassford resumed conversations with Iwamura this morning at 11 a. m.

Glassford stated that at the time of the cessation of their informal conversations the American authorities acquiesced in the temporary arrangement proposed by the Japanese authorities that the Shanghai Volunteer Corps take over Sector B; that sufficient time had now elapsed for further consideration of the entire question, that there had been an exchange of views between the two Governments, that the American side had been quite willing to acquiesce in the temporary arrangement to give time for full consideration by all concerned and that it now seemed that an effort should be made to reach a final agreement. The American Government during this intervening period had continued in the opinion that the compromise solution agreed upon by a majority of the Defense Committee members is entirely reasonable and just from the standpoint of all parties and that the American side, therefore, hoped the Japanese authorities were now in position to acquiesce in a compromise solution.

Iwamura stated that he had received official reports regarding the Washington-Tokyo conversations and that so far as he was aware no conclusion had been reached.

Glassford replied that he was similarly informed with respect to the exchange of views between the two Governments and that with respect to the conclusion of his own Government it is very clear that it has concluded that the compromise solution should be made effective at the earliest possible date and that naturally in a friendly spirit his Government desired the agreement of the Japanese to this.

Iwamura stated that the Japanese Government likewise desires a fair solution; that he had thoroughly studied the matter and felt

that the following two points should not constitute the basis of any discussions between them:³⁵

(1) In the discussions of these and similar questions among commanders of different countries such as the commanding officers of Shanghai Defense forces, decisions should not be reached by majority vote. [In any case] Majority vote should not be imposed upon a dissenting member ~~or members~~ of any such international group of military commanders or authorities [, to whom the question involved is one of vital concern] ~~when vital interests are involved~~. Representatives of powers who are deeply concerned in any issue of such international importance should be in agreement before any action is taken and a decision should be only by a unanimous vote among those vitally concerned. Otherwise it should be considered invalid. The Admiral stated that he could not carry on further discussions on the basis of a proposal or a plan upon which there has not been that measure of agreement.

The Admiral stated as follows, with the remark that he wished these observations to be completely off the record:

He desired that what he had to say at this particular time be omitted from the minutes if there was any possible chance that they would be misunderstood as official in any sense. He stated that there was gossip among certain Japanese [had gotten the impression] officers that collusion had been exercised between the British and American authorities previous to the meeting of the Shanghai Defense Committee. It was known that in the subsequent approval of the Shanghai Municipal Council of the compromise plan agreed upon by a majority vote of the Shanghai Defense Committee, only the votes of the British and American members of the Council were taken. Such being the case the view had spread abroad among certain Japanese that [there was urgent need of a more thorough internationalization of the Settlement.] the reputed international character of the government by the Municipal Council was not a fact. Thus all the more did certain Japanese feel a sense of real aggravation against the so-called majority vote within the Defense Committee itself. Vice Admiral Iwamura explained that there was no imputation of collusion by him and that he expressed the desire that the above remarks remain off the record for fear there might be implied in some quarters an indication of bad faith by himself, which was not the case.

(2) The Admiral stated that in the course of past conversations that it was stated that it would be impossible for the United States Government to countenance entry of Japanese forces into Sector "B". The Admiral then continued that he must state emphatically in this

³⁵ For the telegraphic summary of these points, the following five paragraphs have been substituted from text of minutes of conversation written by Rear Admiral Glassford. The corrections indicated are those made by Admiral Iwamura as explained in his letter of September 6 to Admiral Glassford, reported by the Consul at Shanghai in despatch No. 3422, September 7 (893.102S/2303). Canceled type indicates portions to be omitted and bracketed words portions to be inserted.

connection that it is similarly impossible for the Japanese Government to countenance the entry of American forces into Sector "B".

Having stated the above two points as conditions limiting further discussions between us he expressed himself as anxious that a solution for the preservation of peace and order in Shanghai, which will be fair and equitable for both the United States and the Japanese, should be found.

Glassford stated that he desired to comment on the two points, that with all the emphasis at his command he wished Iwamura to know that the view of his Government was what it considers a just and reasonable solution of the question under discussion, is not based necessarily as it might appear to Iwamura on any major vote of the Shanghai Defense Committee, and that it is his firm view that this solution is the one which his Government desires irrespective of the vote of the Shanghai Defense Committee. The majority vote on the compromise proposal which differed from the original American proposal simply tends to uphold the view of the American Government and that so far as the vote is concerned the American Government might well regret that it was not unanimous and that there should have been a dissenting vote within the Committee, but that the view of the American Government definitely was not necessarily based on the vote. Moreover, the American Government, Glassford felt, would naturally incline to favor [a] majority in any such question, always entertaining the possibility and even the probability of a minority to which consideration is ever given and will be given, of course, in this case. However, it cannot be doubted that in spite of the vital interests of any minority the majority can govern procedure. This should obtain in the present case if the vote is to be considered at all. A minority should always defer to a majority if any concerted action between all parties concerned is expected.

Regarding point 2, Glassford corrected Iwamura [by] stating that in prior conversations it had not been said that it would be impossible for the United States to countenance the entry of Japanese forces into Sector (B). It was said that in Glassford's belief his Government was not prepared to discuss the entry of Japanese forces into additional sectors or areas of the Settlement. Glassford continued:

"You say that you must state emphatically that it is impossible for the Japanese Government to countenance the entry of American forces into Sector (B). Please then allow me to say that it is my opinion that further conversations between us with respect to this question on the basis of the impossibility of the Japanese Government to countenance the entry of American forces into Sector (B) will serve no useful purpose and I, therefore, am reluctantly forced to ask you to excuse me, at least for the time being."

Iwamura stated then ³⁸ that the Japanese were anxious to find a mutually satisfactory solution and he would like to report to Admiral Shimada and perhaps hold another meeting in the afternoon. Glassford reminded Iwamura that if the Japanese authorities adhere to their views expressed above a further meeting would serve no useful purpose. Iwamura then said that if they had another conference it might be considered a continuation of the present conversation. Thereupon Glassford agreed to meet Iwamura at 3 p. m.

At the stated time Glassford again met Iwamura at the latter's residence. Iwamura stated that on the basis of their exchange of views in the morning he had consulted with Admiral Shimada, Commander-in-Chief of the China Seas Fleet, and had drawn up the compromise proposal. He then handed Glassford a document, labeled "Memorandum No. 3", stating that in presenting this compromise plan he felt that no further explanation as to its purport was necessary in view especially of the statements set forth in his previous memoranda numbers 1 and 2. Memorandum follows:

"(1) In a body such as the Shanghai Defense Committee whose membership is comprised of the commanding officers of the forces of the various powers stationed in Shanghai, decisions should be based on complete agreement at least of all the members, for whom the issue involved is one of vital concern. I must make it clear that it is absolutely impossible for us to accept an arrangement whereby a resolution adopted by a majority of that committee is imposed upon a member who has voted against the resolution. I should therefore like to discuss this question with the understanding that the idea of decisions by majority vote should not be considered as a basis of our discussions.

(2) You (Admiral Glassford) recently stated that you felt the United States Government were not prepared to discuss the occupation by Japanese forces of any additional area within the International Settlement. Similarly, I must repeat here that the Japanese Government are not prepared to discuss any similar action by American forces.

With those two considerations as basis, I have made a careful study of the views we exchanged during our past conversations. I feel that to leave the local situation in its present unsettled state is not very desirable from the standpoint either of the future peace and order in Shanghai or of the future of Japanese-American relations. In view, moreover, of the defense situation that has prevailed here during the considerable time that has elapsed since my written memorandum was submitted to you, I desire in a spirit of mutual concilia-

³⁸ In the text of minutes of conversation, Admiral Glassford added the following at this point: "With regard to what you have just pointed out as a misquotation of the remarks you made on an earlier occasion, what I wanted to say was that the Japanese attitude toward the question of the relation of American forces to Sector (B) is identical with what you stated to be the American attitude toward the relation of Japanese forces to Sector (B)".

tion and notwithstanding that the issue involved is one of life or death for Japan, to submit a final compromise plan which I would add represents the maximum concession possible on our part.

Proposal:

Sector[s] (B) and (D) to remain exactly as left by the evacuation of the British forces, with neither the American nor Japanese forces making any new claims relative thereto."

After reading the memorandum, Glassford stated,

"I wish to state that the compromise proposal that you have just handed to me is fully understood and that no further explanation is necessary so far as I am concerned. I wish to repeat what I said this morning that in my belief no useful purpose will be served by further discussion in regard to this matter as the proposal in our view is not acceptable. I will, however, of course transmit the proposal to my superiors and will confirm as soon as possible my view which I have already stated that it will be useless for us to continue our conversations on the basis set forth by you in your memorandum No. 3, to wit, that Sectors (B) and (D) are to remain exactly as left by the evacuation of the British forces, with neither the American nor the Japanese Governments making any new claims relative thereto."

Reference to memorandum No. 3 and memorandum No. 2 is contained in my 811 to the Minister [*Department*].³⁹

I should add here that while it is perhaps incorrect to say that the Japanese have taken over Sector D, uniformed armed Japanese presumably gendarmes are garrisoned and patrolling in that sector. Japanese gendarmes have previously operated to a more limited extent in Sector D.

Department please inform Navy.

Sent to the Department, repeated to Peiping, Chungking, Tokyo.

BUTRICK

893.1028/2250 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 6, 1940—3 p. m.

[Received September 6—12: 55 p. m.]

881. With reference to the last substantive paragraph of my 875, September 5, 10 p. m., the situation at present is briefly as follows:

Sector B. The agreement covering the operation of Japanese gendarmes is that outlined in the Consulate General's despatch 2033 of March 6, 1939, entitled Japanese demands on the Municipal Council of the International Settlement at Shanghai.⁴⁰ In general the agree-

³⁹ August 21, 4 p. m., p. 782.

⁴⁰ Despatch not printed, but see telegrams No. 168, March 1, 1939, 2 p. m., and No. 183, March 4, 1939, 4 p. m., from the Consul General at Shanghai, *Foreign Relations*, 1939, vol. iv, pp. 11 and 15.

ment is observed by the Japanese although there are from time to time instances of the illegal operation of Japanese gendarmes in Sector B. Approximately 28 plainclothes gendarmes are constantly on duty along the water front assisting in searches for terrorists. Japanese gendarmes in numbers varying from 2 to 20 are known to make their headquarters at two places within the sector but they claim to be residing there in private capacity.

Sector D. The Commissioner of Police is still negotiating for the implementation of the Fu-Franklin agreement for a joint police force. The Japanese gendarmes have been operating in this and other extra-Settlement roads areas since 1938. Prior to the withdrawal of the British troops they also took up billets at a former gambling establishment near one of the British barracks. The Japanese gendarmes now have approximately 10 places from which they operate in Sector D and their numbers are estimated as having increased from about 60 prior to the withdrawal of the British troops to about 500 at the present time. They have not occupied the posts vacated by the British but as many of those posts were on the patrols opposite Japanese posts there were no reasons for occupying them. The Japanese gendarmes in this sector are much more active since the British withdrawal although there were occasionally gendarme patrols, principally mounted, operating during British occupation of the sector.

The gendarmes operating in Sector B are plainclothes gendarmes while those operating in Sector D are in uniform. There are no Japanese naval landing party forces known to be in either sector.

Undoubtedly there are plainclothes operatives of the Japanese special service section of the army in both sectors. This is the opinion of the Shanghai municipal police although they have no evidence to prove it.

Sent to the Department. Repeated to Peiping, Chungking and Tokyo.

BUTRICK

893.102S/2249 : Telegram

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

TOKYO, September 6, 1940—6 p. m.

[Received September 6—11:45 a. m.]

805. Shanghai's 875, September 5, 10 p. m., to the Department. Shanghai defense sectors. I have studied with close attention Shanghai's full report of the Glassford-Iwamura conversations and I fully concur in Rear Admiral Glassford's statement that it would be useless to continue conversations on the basis set forth by the Japanese in "Memorandum No. 3". I wish further to add that I am in complete

agreement with the Department's opinion that the compromise solution agreed upon by a majority of the defense committee members is entirely reasonable and just from the standpoint of all parties concerned.

2. My view is therefore that inasmuch as the Japanese viewpoint is so completely and diametrically opposed to our view no useful purpose would be served by a further approach to the Government in Tokyo. This question which involves grave basic principles relating to the whole present and future position in the Far East appears to have reached an impasse and further steps will presumably involve questions of high policy which do not lie within the Embassy's competence. I therefore feel that I am not at present in a position to make any further recommendations.

Repeated to Shanghai. Code text by air mail to Peiping. Shanghai please air mail to Chungking.

GREW

893.102S/2321

The Department of the Navy to the Department of State

WASHINGTON, September 7, 1940.

Admiral Hart reports that he still believes that the permanent garrisoning of Sector B by the Shanghai Volunteer Corps will result in the encroachment by Japanese activities either open or concealed with the consequent impairment of the powers of the municipal police and the council and that it is vital to our interests to prevent such an eventuality; and that the United States should insist on occupation of Sector B by United States forces. But unless the State Department contemplates the continuation of diplomatic approaches toward obtaining Japanese acquiescence in the assignment of Marines to Sector Baker he does not believe any further contribution can be made locally. The suggestion of the Japanese that neither replace the British in either Sector D or B may appear just, but in reality is wholly in Japs favor unless accompanied by an agreement ⁴¹ that,—(1) except as provided in now existing arrangement with the Shanghai municipal police no Japanese forces of any category or those sponsored by them shall cover Sector B, and (2) that in case of emergency the Council would call first, if not solely, on American forces for assistance. If we are to relinquish our major objectives he suggests that his local efforts be directed along the lines outlined above.

⁴¹ Here the Adviser on Political Relations (Hornbeck) penciled in the margin: "Agreement would be worthless."

893.102S/2249 : Telegram

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

WASHINGTON, September 10, 1940—6 p. m.

344. We have noted the comments contained in your recent telegram and especially the indication of your view that the negotiations in regard to the defense sectors appear to have reached an impasse. On this point we offer for your consideration comment as follows:

Every country is compelled today to strengthen its machinery of national defense and the people of this country are proceeding strenuously with plans and production which will render this country in a comparatively short time far more powerful in the military field than it is at present. As an example of what this country is doing there may be cited the recent developments in connection with the strengthening of our Atlantic defenses. Press reports from Japan indicate that these developments have attracted wide-spread public attention in Japan and that there is growing realization there of their implications. Even though Japanese reactions to these developments may not immediately make themselves manifest, we believe that Japanese realization of the trends in the world situation may gradually come to have a favorable effect.

In the light of the foregoing considerations we are of the opinion that it may serve a useful purpose for you to seek an early occasion to make a further oral approach in regard to this matter to the Minister for Foreign Affairs. We think it might be useful for you to make observations along lines as follows:

The position adopted by the Japanese Government, which needless to say is very disappointing to this Government, would not seem to call for lengthy or detailed observations. Several considerations, however, stand out in relief. Mr. Ohashi's reference to the matter as "an issue of such trivial importance"⁴² and the similar statement reported to have been made by Suma⁴³ raises the question why, if these statements accurately reflect the Japanese point of view, the Japanese authorities at Shanghai continue to assume so uncompromising an attitude. That uncompromising attitude appears inconsistent with

⁴² See telegram No. 791, September 4, 11 p. m., from the Ambassador in Japan, p. 798.

⁴³ The Ambassador in Japan, in telegram No. 804, September 6, 5 p. m. (893.102-S/2251), reported the *Japan Times* that afternoon as quoting the Japanese Foreign Office spokesman, Yakichiyo Suma: "The Shanghai sector question is becoming a very important question between the United States and our country, but we hope to find a way out of the difficulty. The United States seems to take great interest in it (the Shanghai problem) but we don't attach such importance to it." On September 4 the Secretary of State had issued a statement on the subject; see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 111.

statements of the Foreign Minister which we have interpreted to mean that the Japanese Government desired a reasonable and equitable settlement of the problem. The attitude of the local Japanese authorities at Shanghai, as indicated in their statements, appears to brush aside completely the reasoning which this Government has put forth in explanation of its position and is seemingly based largely upon the contention that the recent procedure of the Defense Committee's and the Council's voting were objectionable to the Japanese authorities and upon political considerations external to the situation at and the problems of Shanghai. With reference to the statement in the Foreign Minister's "oral statement" (your 791, September 4, 11 p. m.) to the effect that the interior of the Settlement is bound to be affected by the situation in the immediately adjoining areas, it may be observed that this Government has noted with regret that the Japanese authorities have thus far failed to implement the Miura Fu-Franklin agreement in regard to the policing of the extra-Settlement roads in the western area. With reference to the further statement to the effect that efforts should be made to enable the Settlement police to be used to the maximum degree possible, this Government has also noted with regret that the Japanese authorities continue to refuse to allow the Settlement police to resume their normal functioning in the Yangtzepoo and Hongkew areas of the Internal Settlement.

It must be apparent to the Japanese Government that its present course of policy is bound to lead it into a position of growing difficulty. As it becomes increasingly clear that Japan in seeking to bring within its orbit the various countries in the Far East is attempting to "Manchukuoize" them instead of treating them as is the practice of the nations of the American continent in their relations among themselves and other nations on a basis of equality, there is bound to develop, in addition to such resistance as the countries directly affected are in a position to offer, a growing purpose among other countries having interests in those regions to seek adequate means to safeguard their interests. It is not within the character of the people of the United States, for their part, ever to give assent or to be reconciled to measures which are directed to the subjugating of nations and people and the monopolizing of opportunity.

You should emphasize the fact that the people and Government of the United States have sought and are still seeking to avoid any kind of conflict with any other nation. We wish to continue to have amicable and mutually beneficial relations with Japan. It happens, however, in international relations, not infrequently, that a country thus disposed is forced by the acts of another country into a position in which some sort of positive action in defense of legitimate interests becomes inevitable. The United States has thus far in no respect

trespassed upon Japan's rights and legitimate interests. The offenses against rights and legitimate interests have all been on Japan's side. Positive measures of self-defense by the United States in relations with Japan, if they come, will have been brought on by Japan's persistent disregard of rights and impairment of legitimate interests of the United States, and they will be amply warranted in the character of appropriate procedures of retaliation.

In view of the statement of the Japanese Foreign Minister (your 756, August 27, 6 p. m.) that he would do his best to bring about an amicable and equitable settlement, it continues to be the hope of this Government that the Japanese Government will instruct its authorities at Shanghai to the end that the conversations may be resumed there on a basis which will render such a settlement possible.

When action is taken please inform Department of that fact.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

HULL

893.102S/2265 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 12, 1940—2 p. m.

[Received 3:10 p. m.]

908. The Secretary and Commissioner General of the Shanghai Municipal Council accompanied by the Municipal Advocate⁴⁴ called on me yesterday afternoon. The former made reference to the semi-official statement of Mr. Gauss on the American attitude in regard to the Chinese courts (see Shanghai's 228, March 19, 10 a. m.⁴⁵) and stated that both he and the Municipal Advocate now considered that the court matter was approaching a crisis. He thereupon handed me a copy of the circular letter quoted in my 905, September 11, 4 p. m.⁴⁶ and added that in view of the previous assassination of two judges, the judges and the clerical staff of the courts in the Settlement were most apt to give serious consideration to the threatening letter and there was a possibility that they might cease to function, thus leaving the Settlement without a Chinese court. He said that the Shanghai

⁴⁴ Robert T. Bryan, Jr., American attorney.

⁴⁵ Not printed.

⁴⁶ Not printed. The letter, from "Special District Headquarters of the Anti-Communist and National Peace Kuomintang", addressed to officers and clerical employees of the First Special Area District Court and the Kiangsu High Court, Second Branch, at Shanghai, warned them they should "openly state their views" to the organization headquarters at 76 Jessfield Road within seven days or resign. The letter ended: "otherwise it is likely that action will be taken against you by some other people who are doubtful of your attitude." The Consul added that the address given belonged to the police of the Japanese-sponsored municipal regime and also connected with headquarters of Japanese gendarmes in that area. (793.94/16173)

municipal police would afford protection to the judges but would be unable to afford complete protection to the clerical staff of the courts and that under the circumstances while the judges would doubtless carry on for the present many of the clerical staff might well be afraid to continue.

I asked the Commissioner if he had any practical suggestions to meet the situation and he said that the Municipal Advocate would prepare a memorandum on the subject for the Council's information and would hand me a copy. I have now received the memorandum. It proposes three plans in the order of their acceptability: (1) that sector B be taken over by the American Marines and the court premises on North Chekiang Road be guarded by them; (2) that the Municipal Council operate and control the Chinese courts in the Settlement with the tacit consent and approval of the signatories of the Shanghai Agreement and the Japanese Government. As the branch Supreme Court which was established in Shanghai about 2 years ago serves all the special courts in the Shanghai area, the cooperation of the French authorities would probably be needed; (3) that the Nanking ["government"] take over the courts and operate them in accordance with the provisions of the present court agreement, this only as a last resort.

I am informed by the Municipal Advocate that the present judges would not accept dual appointment as suggested in Shanghai's 228 owing to their fear of reprisals from Chungking terrorists. I am informed by the Municipal Advocate that the official income from their positions is from \$250 to \$500 for the judges and from \$30 to \$100 for the clerks, the latter averaging \$50. These sums are local currency and are ridiculously low.

In response to my inquiry the French Consulate General informs me that the judges of the courts functioning in the French Concession have received similar letters and that they are being given special police protection.

There has been very little newspaper agitation against the courts recently. However, in an editorial in the *Sin Shun Pao*, a Japanese-owned Chinese language newspaper, entitled "Establish a new order in the foreign settlements as soon as possible" it was stated on September 5 that the three essentials for the establishment of a new order in the foreign settlements was the stationing of Chinese troops in the foreign settlements, the recovery of the courts and the taking of a census. There has been some agitation in other Japanese-controlled newspapers that the "National Government" send troops to take over Sector B.

When the régime at Nanking is recognized by the Japanese we may expect an intensification of the campaign against the courts in the

press by means of intimidation and possibly assassinations and through the devious methods employed by the Japanese military.

Sent to the Department, repeated to Chungking, Peiping. Code text by air mail to Tokyo.

BUTRICK

793.94/16175 : Telegram

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

TOKYO, September 12, 1940—7 p. m.
[Received September 12—4:10 p. m.]

825. 1. The Minister for Foreign Affairs asked me to call this afternoon and for 1 hour and 20 minutes discussed the Shanghai Marines incident of July 7⁴⁷ and the question of the defense sectors.

2. With regard to the incident of July 7, the Minister repeated his former allegation that Colonel Peck and Major General Miura were on the point of reaching a final settlement of the incident when the Department of State intervened and rendered the ensuing attitude of Admiral Glassford and Colonel Peck completely "adamant". I replied as formerly that this was not my understanding of the facts (Department's 316, August 20, 6 p. m.⁴⁸) and I thereupon went over the entire history of the incident as it appears in our correspondence with the Department and Shanghai. The Minister took issue with nearly every point and the resulting argument was wholly inconclusive. The Minister said that the negotiations in Shanghai have finally been broken off and that the net result is a general feeling of friction and irritation.

3. The Minister then discussed at great length the controversy of the defense sectors. He said that the Japanese military and naval authorities in Shanghai feel that the decision of the Defense Committee has the appearance of having been forced by the American authorities on the Japanese through a majority vote and he invoked the procedure of the League of Nations in what he referred to as similar circumstances to support the Japanese thesis that only unanimous consent could govern. He said that he considered it unfortunate that the American authorities had failed to "give an appearance of taking the Japanese commanding officers into their confidence at the very beginning." In reply I said that in my opinion there could be no proper comparison between the League of Nations procedure to which he had referred, and I then discussed the vote along the lines of the Department's 321, August 23, 6 p. m., the contents of

⁴⁷ See bracketed note, p. 752.

⁴⁸ Not printed.

which had already been brought to the Minister's attention in our conversation of August 27. This also led to no meeting of minds.

4. The Minister then said that today the Japanese Minister of War,⁴⁹ being "extremely irritated", had been on the point of instructing the commanding officer in Shanghai to break off the negotiations when he, Mr. Matsuoka, had asked him to suspend action for "a few days" until he could appeal through me to the American Government to agree to what he regarded as a reasonable settlement. He said that if the American forces should march into Sector B he was certain that the Japanese forces would likewise march into that sector and that a serious clash which might lead to war would then be inevitable. He appealed to me to obviate that danger. His proposal is that both Sectors B and D shall continue for the present in charge of the Volunteer Corps and that if any apprehension as to peace and order should arise, which he doubts, "let the interested powers augment the police force and all will work out to the satisfaction of the residents." This proposal to augment the police force in case of necessity, the Minister said, represents only his own point of view. At the conclusion of the foregoing remarks I pointed out again the reasons why the continued retention of the Volunteer Corps on military duty appears not practicable. The Minister, however, asked me to report his views to my Government and expressed the hope that a favorable reply might be received soon because he doubted his ability to hold the Minister of War in line very long. He did not say what would happen if the negotiations were broken off.

5. In the course of the conversation the Minister referred regretfully to the "threats" which I had conveyed to him on August 27. I immediately repeated to him with emphasis the messages which I had sent him through the Vice-Minister on September 4 (my request in my telegram of September 4, 11 p. m. and 792, September 4, midnight).

6. Mr. Matsuoka said that he still regarded these two incidents in Shanghai as small local affairs compared to the big issues involving the relations between the United States and Japan. He said that he himself was not responsible for the great accumulation of troubles that had arisen between our two countries before he took office but that he was firmly resolved to settle those difficulties as fast as he could get at them and he wished through me to appeal to the President and Mr. Hull to accept the assurance that he genuinely proposes to do everything in his power to improve our relations and "to correct past troubles." "Why take a chance of turning these small affairs into causes of irritation and danger to our relations which are bad enough as they are?" he asked. I asked the Minister just how long he had

⁴⁹ Gen. Hideki Tojo.

been in office. He said, "50 days". I inquired whether he was aware that even during those 50 days reports were steadily coming across my desk of the bombings of American property in various parts of China. The Minister expressed astonishment (in spite of our constant notes to the Foreign Office) and asked me for the facts in detail. I said that I would shortly give him a complete list.

7. In the entire conversation no allegation of the Minister was allowed to pass unanswered but in spite of a forceful presentation of our attitude on every point raised I departed with a reluctant sense of complete frustration.

8. A portion of the Department's 344, September 10, 6 p. m. was received subsequent to my interview with the Minister, but as some sections have not yet come in it seems best to send the present report without delay. I shall therefore await the Department's reply to my present report before acting on Department's 344.

Sent to the Department, repeated to Shanghai.

GREW

893.102S/2268 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 14, 1940—2 p. m.

[Received September 14—8:40 a. m.]

921. With reference to Tokyo's 825, September 12, 7 p. m., and to my 881, September 6, 3 p. m., it is the opinion of Admiral Glassford and myself that Sector D is in fact garrisoned and occupied by Japanese forces even though such forces may not be under the command of the Japanese Navy which has thus far been in charge of all Japanese negotiations in connection with Sector [B?] here, so far as we are aware.

Sent to the Department, repeated to Chungking, Peiping, Tokyo and Tsingtao for Commander-in-Chief.

BUTRICK

893.102S/2269 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 14, 1940—3 p. m.

[Received 7:03 p. m.]

The agreement or *modus vivendi* in regard to the policing of the western area of Settlement roads at Shanghai mentioned in the Department's 344, September 10, 6 p. m., to Tokyo, is known as the Fu-Franklin agreement,

To review briefly, the agreement, which was couched in general terms, was signed on February 16, 1940. During the next 2 months discussions of practical details of implementation such as the organization of the joint police force were carried on by the police heads of the Shanghai Municipal Council and the Chinese City Government. An understanding, which the Municipal Council thought to be conclusive because of the participation as an adviser to the Chinese of a representative of the Special Service Section, was reached and a communication embodying this agreement was signed by the Chief of Police of the Shanghai Municipal Council and Colonel Lu Ying, the Chief of the Police Bureau of the so-called City Government on April 25th. No reply was received until July 13th when the Secretary and Commissioner General of the Shanghai Municipal Council received a letter from "mayor" [Fu] proposing a considerably altered arrangement. Owing to the absence of the Commissioner of Municipal police on holiday, it was deemed advisable to delay consideration of that letter until his recent return. It was found that it contained at least six material points of difference. As he felt that a reply to the letter would not bring about the desired results, the Secretary and Commissioner General took the matter up informally with the Japanese Consul General and one of the Japanese councilors of the Shanghai Municipal Council. Following their suggestion, the Secretary and Commissioner General yesterday replied to Fu's letter and suggested a further conference between the police authorities to iron out the divergent views.

However, since implementation of the original Fu-Franklin agreement will mean an improvement of the position of the Municipal police in the western area and the giving to them of more power than they are at present able to exercise there, certain officials of the Municipal Council doubt whether the Japanese intend to permit the carrying out of the agreement. Japanese forces (gendarmes) are garrisoned in the area and are likely to remain. I have requested the Secretary and Commissioner General to keep me fully and currently informed of developments and he has agreed to do so.

Sent to Tokyo; repeated to Department, Chungking and Peiping.
BUTRICK

893.102S/2277 : Telegram

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

TOKYO, September 19, 1940—11 a. m.
[Received September 19—1: 58 a. m.]

860. Shanghai defense sectors. I am still withholding action on the Department's 344, September 10, 6 p. m., in accordance with the

last sentence of paragraph numbered 8 of my 825, September 12, 7 p. m. It seems important to avoid crossing wires with Shanghai if there is any outlook for progress in the negotiations there.

Sent to the Department. Repeated to Shanghai.

GREW

893.102S/2282 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 20, 1940—noon.

[Received September 20—8:40 a. m.]

952. With reference to Tokyo's 860, September 19, 11 a. m. Shanghai Defense Sectors. There have been no negotiations here since those reported in my 875, September 5, 10 p. m., and no instructions received here subsequent that date. We do not propose to initiate resumption of negotiations as we feel that no progress can be made here with Japanese unless their attitude changes. If the Japanese here make any approach we will receive them and report at once.

Sent to the Department. Repeated to Tokyo and Tsingtao for Commander in Chief.

BUTRICK

893.102S/2284 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 21, 1940—noon.

[Received 2:42 p. m.]

961. Reference my 952, September 20, noon. Although there has been no attempt by the Japanese in Shanghai to reopen discussions, the Japanese Embassy spokesman in press conference on September 20 stated that negotiations regarding both the July 7 incident and defense sector problems were continuing and that it is reported intention of Tokyo to have these questions settled in Shanghai.

Sent to Department. Repeated to Tsingtao for Commander in Chief. By air mail to Tokyo.

BUTRICK

893.102S/2285 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, September 23, 1940—5 p. m.

[Received 7:32 p. m.]

971. Chinese Courts. Reference penultimate sentence of my 934, September 17, 5 p. m.⁵⁰ It is reported that Chungking authorities

⁵⁰ Not printed.

have restored full salaries of judges and Court employees which had been reduced soon after outbreak of war and have granted them a further increase of 40%. This action is stated to have been made retroactive to January 1, 1940. Most of the judges and employees continue to live in the Court premises. No terrorist attacks against any of them have been reported.

In a recent private conversation with the Municipal Advocate of the Shanghai Municipal Council, the German Consul General stated his interest in maintenance of the *status quo* of the courts, indicating a fear that because of the difficulty in securing adequate personnel the courts would not function efficiently under Wang Ching-wei control. He also stated his belief that the Japanese hold the same view.

It is possible that this is true and that the Japanese consider the court question not one of pressing urgency since the Municipal Advocate recently informed me confidentially that very few arrested terrorist suspects of either Chungking or Wang Ching-wei factions are now being tried in the courts but are being turned over by the Shanghai Municipal Police to the Japanese authorities. Such action would appear to be possible under the increasingly loose interpretation being given by the Shanghai Municipal Police to the March 1939 agreement for cooperation in suppression of anti-Japanese activities in the International Settlement (see Shanghai's despatches 2033⁵¹ and 2045⁵² of March 6 and 10, 1939).

Sent to the Department. Repeated to Chungking, Peiping. Code text by airmail Tokyo.

BUTRICK

893.1028/2295a : Telegram

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

WASHINGTON, September 26, 1940—6 p. m.

366. Unless you perceive objection, please seek an interview with the Minister for Foreign Affairs at the earliest practicable moment and say that this Government has received information to the effect that certain Japanese military elements at Shanghai propose that Japanese armed forces forcibly occupy the French Concession there within the immediate future. Say that the Government of the United States views this report with serious concern both because of our general interest in the maintenance of the *status quo* except as changes may be and are brought about through orderly processes with due consideration for the rights and legitimate interests of all con-

⁵¹ Not printed.

⁵² *Foreign Relations*, 1939, vol. iv, p. 16.

cerned, and because of the residence in the French Concession of a considerable part of the American community at Shanghai. Express hope that there is no foundation in fact for the report in question and request information in regard thereto.

Please repeat to Shanghai for repetition by Shanghai to Chungking and Peiping.

HULL

893.102S/2297 : Telegram

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

TOKYO, September 27, 1940—8 p. m.

[Received September 27—9 : 26 a. m.]

907. My 905, September 27, 6 p. m.⁵³ The Vice Minister has just called me on the telephone and said that the Foreign Minister had read my letter and authorized me to inform my Government that there is no truth in the report that Japanese armed forces propose forcibly to occupy the French Concession in Shanghai within the immediate future. Mr. Ohashi said "there is nothing in it."

Sent to the Department, repeated to Shanghai.

GREW

893.102S/2304 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 1, 1940—3 p. m.

[Received 7 : 44 p. m.]

1012. Shanghai situation.

1. The recently imposed additional restrictions on trade have had a serious effect on American import and export firms, notably those engaging in the petroleum products and businesses. These restrictions are discriminatory in effect and are doubtless part of a well considered plan to give Japanese economic control of this area. American interests will eventually be entirely driven out or forced to submit to Japanese terms.

2. The activity and influence of the Japanese exerted through the Wang Ching-wei régime is increasing. The recent public utilities strikes in the International Settlement and those averted in the French Concession are politically inspired for the purpose of gaining control of labor through the General Labor Union, a Wang organ. The morale of the police of both the Settlement and the French Concession is being undermined by Wang agents. Efforts are being made to

⁵³ Not printed.

intimidate the judges and employees of the Chinese courts in the Settlement and Concession through assassinations and threats. "Mayor" Fu is putting heavy pressure on the "White" Russians to submit to the jurisdiction of Chinese courts outside the foreign areas or to special "arbitration courts". The control of the property and administration of the customs houses in the French Concession has been taken over by the Wang régime and the Inspector General of Customs has been told that it will be necessary to "regularize" his position with the Nanking and Japanese authorities after the expected ratification of the Wang-Abe treaty.⁵⁴ The activities of the Japanese gendarmes have greatly increased in the French Concession and to a lesser extent in the Settlement in the causing of arrests by the police of persons allegedly antagonistic to Japanese and Wang objectives.

3. It is reliably reported that the Wang régime has by devious methods enlisted various leaders in Chinese educational circles and has gained substantial control of student organizations.

4. With the weakened attitude of the French Concession, the Settlement authorities are finding it increasingly difficult to stop Japanese pressure. They have increased their censorship of the Chinese press friendly to Chungking and "overlook" censurable articles in the Chinese press favorable to Wang. The Japanese are attempting to have Japanese police officers assigned to the special branch of the municipal police which would result in giving the Japanese Government confidential information which it would use for its own ends. The Wang press has already referred to this branch as an adjunct to the British secret service. A high ranking official of the Settlement recently informed me that "there will be no more elections". Unless the Japanese are assured of success in the elections, I think he is right.

5. "Mayor" Fu has shown little inclination to implement the Fu-Franklin agreement regarding the policing of the western extra-Settlement roads in the spirit of the agreement, while the Miura-Franklin agreement for the [police] control of the northern area of the Settlement to [end?] the restrictive measures is apparently a dead issue.

6. The action of the Japanese Government in the July 7th incident and the question of Sector B is not reasonable and reflects a determination to destroy American prestige and obtain complete economic and political control of Shanghai, which they consider "the heart of China".

7. On the arrival of the Japanese Consul General at Shanghai, Japanese local policy has on each occasion since hostilities began become

⁵⁴ Signed at Nanking, November 30, by General Nobuyuki Abe and Wang Chingwei, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 117.

more aggressive and the recent appointment of Minister Horiuchi to that position probably materially increased pressure against the Settlement authorities. However, the Japanese attitude in Shanghai will doubtless be dictated by Tokyo by expediency, and therefore I hazard the guess that Shanghai will be given a respite until the effect of the impact of the Rome-Berlin-Tokyo Axis⁵⁵ has worn off somewhat within Japan and within the United States.

8. [Here follows garbled paragraph in regard to making reports available to Navy Department officers.]

Sent to the Department. Repeated to Chungking, Peiping. Code text by airmail to Tokyo.

BUTRICK

893.102S/2310: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 3, 1940—3 [1?] p. m.

[Received October 4—9: 15 a. m.]

1025. 1. The British Consul General and I have been discussing the possibilities in regard to the special courts. If the courts cease to function as a result of intimidation a serious situation will arise. Owing to the consular body rule of unanimity it would be useless to refer the matter to that body. We are agreed that the best course would be for the powers participating in the court agreement to ask the Council to take over the administration of the courts and inform the consular body.

2. The British Consul General referred the question of cooperation with the American authorities concerning the status of the courts to his Ambassador and the British Consul General has now informed me orally that this is not a matter with which His Majesty's Government could be bothered at this moment and that he would like to cooperate with me in any action I might see fit to take to remedy the situation and that in his opinion the courts cannot make representation indefinitely on the present basis and might break down at any time.

3. In such circumstances I recommend action suggested in first paragraph, and would like permission to discuss matter orally with my colleagues of signatories agreement to ascertain if the plan is considered feasible.

Sent to the Department, repeated to Chungking and Peiping.

BUTRICK

⁵⁵ For summary of the Three-Power Pact signed at Berlin, September 27, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 165.

893.1028/2312: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 3, 1940—5 p. m.

[Received October 4—10: 13 a. m.]

1030. Reference last paragraph of my 958, September 20, 4 p. m.⁵⁶ Arrest of Japanese gendarme in the American defense sector. No reply to Colonel Peck's letter of September 10 having been received, a staff officer of the Fourth Marines made further inquiry through the Japanese Army liaison officer on September 16. Major General Miura finally replied in a rather contentious letter dated September 26, the gist of which follows:

The Ambassador's attitude regarding the carrying of arms by Japanese gendarmes within the American defense sector fundamentally lacks legal foundation as Japanese gendarmes are among the categories of forces "the invasion troops [*in uniform*] or on duty" permitted by the land regulations and bylaws to carry arms in the International Settlement. The Japanese will hold to this view in the future. The Shanghai Municipal Council has requested that when Japanese gendarmes are to carry on police functions in the International Settlement, they shall do so by arrangements with the Commissioner of Police. Gendarmes on duty in plainclothes, but who are not exercising police functions, cannot be considered as infringing on the rights of either the Municipal Council or the American defense forces. It is outside the power of the defense forces, whose main duty is to assist the municipal police in case of need, to attempt to restrict the actions of Japanese gendarmes who are not exercising police functions. The case in point does not raise any question of legality since the gendarme was not exercising police functions in the American defense sector, now [*nor?*] had he any intention of so doing.

Colonel Peck replied on October 2, roughly as follows:

The contention that Japanese gendarmes are entitled to carry weapons in the American Defense Sector is based on a faulty interpretation of the Land Regulations since the clause referred to is a restrictive and not a permissive one. It also violates a long standing and complete understanding between the Japanese and American forces, and Major General Miura's verbal promise of July 7 that the sending of armed Japanese gendarmes into the American Defense Sector without proper authorization would not be repeated. The Shanghai Municipal Council and police have never authorized the carrying of concealed arms by Japanese plainclothes men except in connection with actual prearranged police measures. It is not clear why a gendarme not exercising police functions should have need

⁵⁶ Not printed. This had reference to the information that the arrested gendarme claimed to be a sergeant of the Japanese *gendarmerie* on official duty; and that an inquiry regarding this irregularity addressed by Colonel Peck to Major General Miura had not been answered (893.1028/2283).

to carry a concealed weapon. Since the American forces have the responsibility for protection of foreign lives and property in the American Sector, they have not and will not permit the carrying of weapons into their sector except in accordance with specific agreements between duly constituted authorities.

The provision of the land regulations referred to is presumably by-law 37. The understanding between the Japanese and American forces mentioned by Colonel Peck is believed to be that reported in this Consulate General's despatch number 1493 to the Department of May 27, 1938.⁵⁷

Sent to the Department. Repeated to Chungking, Peiping. By air mail to Tokyo.

BUTRICK

893.102S/2311 : Telegram

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

CHUNGKING, October 4, 1940—2 p. m.
[Received October 4—10:42 a. m.]

503. I perceive no objection to Butrick discussing the proposal contained in his 1025, October 3, 1 p. m. Until I am certain that the Chinese Government will not give its consent to such a proceeding I must doubtless accept it if it were found feasible and put into effect without involving the necessity of its consent.

Sent to the Department. Repeated to Peiping, Shanghai.

JOHNSON

893.102S/2320a : Telegram

The Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, October 15, 1940—6 p. m.

482. The Department understands that the Commander in Chief has suggested to the Navy Department that the present might be an opportune time for this Government to resume its discussions with the Japanese Government in regard to the question of the allocation to the American Marines of Sector B at Shanghai. The Department desires that you confer with the Commander in Chief and that you give the Department the benefit of your and his views in the matter, with statement of the reasoning upon which the views are based.

HULL

⁵⁷ *Foreign Relations*, 1938, vol. III, p. 188.

893.102S/2322: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 17, 1940—4 p. m.

[Received October 17—1:31 p. m.]

1105. Hart felt Japanese might be responsive to American representations [in] view [of] recent developments [in] situation United States-Japan, we were conferring when Department's 482, October 15, 6 p. m. arrived and agreed nothing specific to go on but felt Tokyo might be sounded out.⁵⁸

BUTRICK

893.102S/2311: Telegram

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

WASHINGTON, October 21, 1940—5 p. m.

179. Shanghai's 1025, October 3, 3 p. m. and your 503 October 4, 2 p. m.

1. Department raises for consideration the question whether, in the light of conditions at Shanghai, the proposal in question could be carried into effect without Japanese assent thereto and whether if the answer were in the affirmative the courts would be any less subject to intimidation than they are now. Further, the Department raises for consideration the question whether there is a possibility that the Japanese objections to the functioning in the Settlement of the present courts as agencies of the National Government might be met if the American Consul and the British Consul General were (prior to discussion with their colleagues representing countries which were signatories to the court agreement) privately and informally to approach the Japanese Consul General with the suggestion that, as a provisional measure, the Municipal Council, as an international body in which the Japanese are represented, be requested by consuls of all the treaty powers to take over the administration of the courts.

2. Upon receipt of your and Shanghai's comment in regard to the foregoing, the Department will expect to make a further reply.

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

⁵⁸ No correspondence has been found in Department files to indicate further efforts to reach an agreement for the United States to take over the guarding of defense sector B.

893.102S/2336 : Telegram

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

CHUNGKING, October 24, 1940—10 a. m.

[Received 10:18 a. m.]

542. Department's 179, October 21, 5 p. m. While I am not hopeful of any cooperation from the Japanese side, I think that it would be wise to explore matter of courts privately with the Japanese Consul General before discussing matter with colleagues. I am certain that Chinese Government consent beforehand will not be forthcoming but believe that after the matter has been accomplished it will interpose nothing more than *pro forma* objection.

Sent to the Department. Repeated to Peiping, Shanghai.

JOHNSON

893.102S/2345 : Telegram

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

SHANGHAI, October 28, 1940—6 p. m.

[Received October 28—3:54 p. m.]

1163. Department's 179, October 21, 5 p. m. to Chungking and Chungking's 542, October 24, 10 a. m. to the Department. From an authoritative but strictly confidential source it is learned that the French Ambassador, who is now in Chungking, is negotiating with the appropriate authorities concerning a change in the status of the Chinese courts now functioning in the French Concession here. An effort is being made to effect an arrangement by which the courts will function as a joint judicial body, i. e., the judges to have joint commissions representing the Central Government and the Nanking regime. While it is doubtful whether the central authorities will agree to any such arrangement, I believe it would be advisable to defer any discussion of court matters here until after the outcome of the Chungking negotiations is known. If such an arrangement should be made for the French Concession courts it would be difficult to oppose a similar arrangement for the courts in the International Settlement. In any event I hesitate to bring up the court question when negotiations are under way in Chungking and I believe also that the atmosphere here at the moment would probably not be conducive to a successful outcome if events should make necessary the course of action suggested in the first paragraph of the Consulate General's 1025, October 23 [3], 1 p. m.

Sent to the Department, repeated to Chungking and Peiping.

LOCKHART

893.102S/2353 : Telegram

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

CHUNGKING, November 2, 1940—8 a. m.

[Received 5:25 p. m.]

557. 1. The French Ambassador came to see me at his request on October 31. In the course of the ensuing conversation he made reference to the situation at Shanghai, asserting that the chief threat to the integrity of the French Concession in that city now lay in the solution of the Chinese court issue. He elaborated by saying that the Japanese authorities had commenced pressing him about 6 months ago to turn over to the control of the Nanking régime the Chinese courts in the French Concession; that he had for some time put off the Japanese with various pretexts; but that recently the Japanese military authorities had intervened and were insisting on a settlement of the issue in line with their desires. The Ambassador went on to say he felt that further delay was inadvisable and that he had therefore made a suggestion to the Chinese Foreign Office along the lines set forth in Shanghai's 1163, October 28, 6 p. m., that is, that the present Chinese court officials would receive appointments from the National Government and the régime in Nanking. He then asserted that the Chungking authorities had refused to entertain his proposal and that he therefore might find it necessary to take action without their consent with a view to satisfying Japanese desiderata. Apart from an observation to the effect that I had felt all along that the Chinese Government authorities would not assent to an arrangement which was tantamount to vesting in the Japanese or their creatures control of the courts at Shanghai, I refrained from comment.

2. Under date of October 24 the Chinese Foreign Minister wrote me a letter, a copy of which went forward to the Department in my air mail despatch No. 689 of October 25,⁵⁹ stating that he had received reliable information to the effect that the Japanese contemplated seizure of the courts at Shanghai within the "next few weeks" commencing with the courts in the French Concession with a view to handing them over to the "puppet régime". He expressed the hope that I would communicate the foregoing information to the American Government in order that a "firm stand may be adopted against pressure and the necessary steps taken in time to cope with the situation."

I have now received a further note dated October 31, this time from the Vice-Minister for Foreign Affairs, relating that a report has been received from the Chinese court authorities in the French Concession at Shanghai to the effect that the French Consulate General

⁵⁹ Not printed.

at Shanghai has urged the Chinese courts in the French Concession to accept one of two alternatives: (a) complete evacuation of the Settlement or (b) acceptance of appointment from the régime at Nanking. The Vice Minister added in his letter that the French Ambassador had not only confirmed the suggestion of the French Consul General⁶⁰ but had expressed the hope that the Chinese Government would accept alternative (b) as related above.

The Vice Minister for Foreign Affairs pointed out that seizure of the courts would jeopardize foreign as well as Chinese interests; that acceptance by court officials of appointments from Nanking would be equivalent to placing the courts under Japanese control and that such control of the British [*French*] Concession courts would be followed by endeavors to assume control of the courts in the International Settlement. The Vice Minister concluded that the French authorities appear to be in no position to resist Japanese demands and asserted that it is the Chinese Government's hope that the American Government will tender appropriate advice to the French Government and "take such other strong steps as [might?] frustrate any Japanese attempt to seize the Chinese courts in the foreign controlled areas of Shanghai."

3. It would appear from the foregoing that the court issue at Shanghai is about to come to a head as a result of Japanese pressure on the French authorities. I feel that with the example of Indochina before us there is little probability that the French authorities would be swayed by any "advice" that we might tender them in respect of the courts. As the French Ambassador expressed it to me on October 31, the French are "aware of the realities of the situation" and with this concept in mind they are placating and making concessions to the Japanese in an endeavor to salvage what they can of their interests in the Far East.

With the July 7 and the Sector B incidents before us as examples of Japanese *intransigence*, it is highly doubtful whether representations at this time to Tokyo in regard to the Shanghai courts would be of any value; yet in the light of a seeming Japanese tendency to climb down from the policy [of?] bluster displayed immediately after the signing of the Tripartite Pact, an approach to Tokyo might have a temporarily restraining effect. If such a course proved ineffective we might, as has been suggested, take steps to place the courts of the International Settlement, at least, under the control of the Shanghai Municipal Council. Here again the cooperation of the Japanese as having equal interest in the Settlement would have to be obtained. I do not see how we can go beyond this latter action

⁶⁰ Jacquin de Margerie.

in relation to the Shanghai courts which are after all a part of the whole Shanghai issue and, only in lesser degree, of the whole Far Eastern problem, unless we are willing to take positive steps to demonstrate to Japan that we intend to prevent further encroachment upon our interests in Shanghai in particular and in the Far East in general.

4. I am acknowledging the Vice-Minister's letter as referred to in paragraph No. 2 above and informing him that I have referred the matter to my Government for its information and consideration.

Sent to the Department, repeated to Peiping and Shanghai. Shanghai please air mail code text to Tokyo.

JOHNSON

893.102S/2345 : Telegram

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

WASHINGTON, November 2, 1940—3 p. m.

538. Your 1163, October 28, 6 p. m. Your suggestion that any discussion at Shanghai of court matters should be deferred until after the outcome of the reported negotiations at Chungking is approved. The Department assumes that the Embassy at Chungking and the Consulate General at Shanghai will continue to keep the Department fully and promptly informed of developments.

Sent to Shanghai. Repeated to Chungking and Peiping.

HULL

893.102S/2354 : Telegram

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

SHANGHAI, November 3, 1940—4 p. m.

[Received November 3—10 a. m.]

1189. Chungking's No. 557, November 2, 10 [8?] a. m. to Department which is now being deciphered. French Consul General informed me last night that meeting would be held within next day or two (perhaps today) with judges of Chinese court in French Concession to explore means of finding a "graceful way out" of the court difficulty. My colleague informed me that the Japanese had been pressing him for a decision and that they had said they would expect reply by November 5. It is now practically certain that within the next few days the courts in the French Concession will cease to function as courts of the National Government. A joint administration of the courts could be arranged even with the consent of the Chungking authorities. It is scarcely likely that the Japanese would agree to such an arrangement. While it would be hazardous to make a

prediction, I gather that it is expected that at an appointed time all, or at least the majority of judges will fail to appear for duty and that judges representing the Nanking regime will take office and that the French will interpose no objection to their functioning. A more detailed report will be submitted later.⁶²

Sent to the Department, repeated to Chungking and Peiping.

LOCKHART

893.102S/2354 : Telegram

The Secretary of State to the Chargé in France (Matthews), at Vichy

WASHINGTON, November 7, 1940—6 p. m.

694. Chungking's 557, November 2, 8 a. m. and Shanghai's 1189, November 3, 4 p. m.

1. The Department desires that, unless you perceive objection, you make to the French Minister for Foreign Affairs⁶³ an oral statement, as under instruction from the Department, along lines as follows:

The Government of the United States is informed that Japanese officials and the authorities of the French Concession at Shanghai are discussing the question of transferring to the Japanese-sponsored regime at Nanking control over the Chinese courts in the French Concession. The residence in the French Concession of a considerable part of the American community at Shanghai, the necessity which American citizens at Shanghai are under of resorting to the Chinese courts in the French Concession in legal actions in which Chinese defendants reside in the French Concession, and the general interest which this Government has in institutions serving the Shanghai area, give this Government a material concern with any proposal for the alteration of the status of the Chinese courts functioning in the French Concession. This Government considers that the consent of the National Government of China at Chungking is essential to any lawful change in the status of those courts. With the foregoing considerations in mind, this Government earnestly hopes that the French Government will instruct its local officials at Shanghai to refrain from any action which, without the consent of the Chinese Government at Chungking, may have for its purpose alteration of the status of the Chinese courts in the French Concession at Shanghai.⁶⁴

⁶² Not printed.

⁶³ Pierre Laval.

⁶⁴ In telegram No. 932, November 11, 6 p. m. (893.102S/2364), the Chargé in France at Vichy reported that the Department's instructions arrived too late, as that day he had taken the matter up with the French Foreign Office and had learned that the French Consul General at Shanghai on November 7 had already agreed with Japanese authorities to turn over Chinese courts in the French Concession to the "Nanking authorities". The Chargé in France, in telegram No. 958, November 15, 6 p. m. (893.102S/2369), reported carrying out further Department instructions to express regret and disappointment over the November 7 agreement as causing increased difficulties to Americans at Shanghai.

2. A telegram is being sent to the American Embassy at Tokyo requesting that the Embassy make an approach to the Japanese Government along the above lines, *mutatis mutandis*.

HULL

893.102S/2358: Telegram

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

SHANGHAI, November 7, 1940—7 p. m.

[Received 9 p. m.]

1216. Chungking's 557, November 2, 8 a. m. to Department and my 1189, November 3, 4 p. m.

1. French Consul General has just informed me that he and the Japanese Consul General have reached an agreement concerning Chinese Courts in French Concession of which the following is a summary:

Judicial institutions of Chungking Government now functioning in the French Concession shall no longer be allowed to exist unless other branch of Chinese Supreme Court shall be closed; Third Branch of Kiangsu High Court and Second Special District Court shall be taken over by the Nanking Government and shall function under the conditions described in the existing agreement concerning Chinese Courts in French Concession.⁶⁵ All subordinate establishments and possessions of the existing courts, including archives, seals and prisons, shall be taken over by Nanking Government. French municipal authorities shall give full protection to judges, associate justices and other personnel of the courts appointed by Nanking Government. French municipal authorities shall render cooperation and assistance with a view to smooth functioning to new courts.

2. My French colleague states that courts may be turned over tomorrow and it is expected that nominee of Nanking régime will appear at court and that Chief Judge will turn over seals, keys and archives. Some hope is entertained by French authorities that a considerable number of judges of lower court will accept appointment under new order, but this is by no means certain.

3. I am told that Chungking Government expects that Chinese Supreme Court now sitting in French Concession will transfer its functions to International Settlement and that the other two courts will also transfer to the International Settlement and function there. I do not understand under what condition or circumstances the French Concession courts could transfer to the International Settlement and carry on their functions for the vacated area. The French authorities, who have been under great pressure from the Japanese, believe that the Chungking authorities will realize the difficulties obtaining here and will refrain from increasing not only their (the

⁶⁵ For French text of agreement signed at Nanking, July 28, 1931, see *l'Europe Nouvelle*, vol. 14, pt. 2, p. 1222.

French) difficulties but the difficulties of the authorities of the International Settlement.

Sent to the Department. Repeated to Chungking and Peiping.
Code text by air mail to Tokyo.

LOCKHART

893.102S/2361 : Telegram

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

CHUNGKING, November 8, 1940—1 p. m.

[Received November 9—6:10 a. m.]

566. My 557, November 2, 10 [8?] a. m. and Shanghai's 1189, November 3, 4 p. m. Shanghai Special courts. I am in receipt of a letter dated November 6 from the Minister for Foreign Affairs stating that the Chinese authorities have reached their decision concerning the French Concession courts, of which the French Ambassador has been formally informed: In accord with 1931 Agreement the present Chinese courts of the French Concession shall continue functioning and if the French permit the legal status of the said courts to be changed the Chinese authorities will be forced to instruct the courts to cease functioning in the Concession. The Chinese Government will hold the French Government responsible for the consequences and as unlawful any organs in the French Concession terming themselves Chinese Courts, and the acts and decisions of any such courts will be regarded as invalid.

The Foreign Minister expressed the hope that "strong and urgent" action would be taken by the Chinese [*American?*] Government along the lines indicated by the letter dated October 31 [24?] from the Minister for Foreign Affairs (paragraph numbered 2 my 557, November 2, 10 [8?] a. m.).

2. I have now received a further letter dated November 7 from the Foreign Minister adding that if the Chinese courts in the French Concession are obliged to stop functioning, the jurisdiction which these courts exercise in relation to case of a criminal and civil nature is to be transferred to the courts of the International Settlement; and that the French Ambassador has been asked by the French Concession authorities to assist in servicing warrants and summonses issuing out of the International Settlement Courts.

3. I am informing the Minister that I have transmitted the substance of his two communications as outlined above to the American authorities for their information.⁶⁶

Sent to the Department. Repeated to Peiping and Shanghai.

JOHNSON

⁶⁶ In a note of November 11 delivered to the Embassy in China, the Chinese Ministry for Foreign Affairs denounced French submission to Japan and declared illegal the activities of any "organs" in the French Concession which might thereafter style themselves as Chinese courts (893.102S/2367).

893.102S/2359 : Telegram

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

SHANGHAI, November 8, 1940—4 p. m.

[Received 9:20 p. m.]

1221. My 1216, November 7, 7 p. m. The agreement between the French and Japanese Consuls General, arrived at late yesterday afternoon, is being implemented today, the lower Chinese courts in the French Concession having been transferred to the Nanking regime this morning without incident and the others in process of transfer this afternoon. The Supreme Court has been closed so far as the French Concession is concerned. The newly appointed chief judges of the Kiangsu High Court and Second Special District Court respectively have sat on these courts previously but not recently. It is not yet known whether any of the judges of the courts transferred will consent to serve under the Nanking regime.

Sent to the Department. Repeated to Chungking and Peiping code text by air mail to Tokyo.

LOCKHART

893.102S/2360 : Telegram

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

SHANGHAI, November 8, 1940—5 p. m.

[Received November 8—4:15 p. m.]

1224. Reference my 1221, November 8, 4 p. m., transfer of District Court for Second Special Area to authorities of the Nanking regime. This office on numerous occasions [is called on to?] address this and other Chinese Courts on requests for authentications, for subpoenas for the appearance of witnesses in the United States Court for China, estate matters, et cetera; and receives numerous requests from this court for information and services of various kinds.

While official correspondence with the new judicial authorities might appear to constitute a measure of recognition of the Nanking regime, this Consulate General considers that as a practical matter it is essential that relations be maintained with this Chinese Court. Most correspondence with Chinese Courts involving Americans is conducted through this office and the Consulate General is frequently called upon to request various services from Chinese Courts.

The Department's instructions on the matter of relations with these new judicial authorities is respectfully requested inasmuch as a request for the subpoena of three Chinese witnesses has been received today from the United States Court for China.

Sent to the Department, repeated to Chungking and Peiping.

LOCKHART

893.102S/2365 : Telegram

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

SHANGHAI, November 13, 1940—5 p. m.

[Received November 13—12: 45 p. m.]

1241. My 1228, November 9, 3 p. m.⁶⁷ My French colleague in response to an inquiry made by me this afternoon stated that the two Chinese courts are now functioning practically in a normal manner and that out of a total of 22 judges on the 2 courts only 2 or 3 have refused to sit under the new authority. The French authorities seemed to be entirely satisfied with the manner in which the courts are being administered.

Sent to the Department, repeated to Chungking, Peiping, code text to Tokyo by air mail.

LOCKHART

893.102S/2358 : Telegram

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

WASHINGTON, November 13, 1940—midnight.

473. Reference Department's 455, November 7, 10 p. m.,⁶⁸ and Shanghai's 1216, November 7, 7 p. m. If you have not already made the approach requested in the Department's 455, November 7, 10 p. m., please change the expression of hope in the last sentence of paragraph numbered 1 therein to an expression of regret and disappointment on the part of this Government. If you have already made the approach in question, please supplement it by saying that this Government is disappointed and regretful that the Japanese Government should have seen fit to undertake alteration of the status of the Chinese courts in the French Concession at Shanghai without the consent of the Chinese Government at Chungking and add that the Japanese Government will of course appreciate that its action in this respect tends to

⁶⁷ Not printed.

⁶⁸ This telegram was similar to the Department's telegram No. 694, November 7, 6 p. m., to the Chargé in France, p. 828.

aggravate problems in the relations of the United States and Japan.⁶⁹
Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping.

WELLES

893.102S/2360: Telegram

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

WASHINGTON, November 15, 1940—8 p. m.

566. Your 1224, November 8, 5 p. m. The Department suggests that the Consulate General treat the District Court for the Second Special Area as a territorial agency, conducting necessary communications with it as heretofore but on as restricted and informal a basis as practicable, avoiding all mention of the Nanking régime.

Sent to Shanghai. Repeated to Peiping and Chungking.

WELLES

AMERICAN INTEREST IN JAPANESE DEMANDS AFFECTING THE
INTEGRITY OF THE INTERNATIONAL SETTLEMENT OF KULANGSU
AT AMOY⁷⁰

893.102 Kulangsu/283: Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMOY, January 16, 1940—10 a. m.

[Received January 17—2:48 a. m.]

Referring to my telegrams of January 9, 9 a. m. and January 11, 3 p. m.⁷¹ Ng Lian Hong, the victim of the attempted assassination on January 8, died yesterday morning, and yesterday morning the Japanese Consul General⁷² presented the Municipal Council with a demand for the immediate appointment of 10 additional Formosan police. The restrictions on traffic between Kulangsu and the mainland are being strictly enforced by the Japanese Navy and firewood supplies are again becoming low.

In connection with the assassination of Ng, it is believed interesting to note that although he was connected with the Amoy puppet government he resided in the International Settlement and not in Amoy.

Sent to Peiping. Repeated to Chungking, Shanghai. Peiping please repeat to Tokyo.

MACVITTY

⁶⁹ For action by the Embassy in Japan, see despatch No. 5158, November 20, from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 892; for the Japanese reply on December 18, see *ibid.*, p. 893.

⁷⁰ Continued from *Foreign Relations, 1939*, vol. IV, pp. 108-163.

⁷¹ Neither printed.

⁷² G. Uchida.

893.102 Kulangsu/284 : Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMOY, January 18, 1940—noon.

[Received 12:28 p. m.]

With reference to my telegram January 16, 10 a. m. After protests on my part to the Japanese Consul General with respect to the Japanese Navy's restrictions on the movement of junks belonging to the Standard-Vacuum Oil Company and the International Relief Committee, Mr. Uchida has informed me that all restriction on traffic between Kulangsu and the mainland will be withdrawn today.

The Municipal Council has appointed a committee of rate payers to consider Japanese demands for increased police representation and the committee's recommendations will be prepared at the annual rate payers meeting in February. The action of Mr. Uchida in presenting demands at a time when the Japanese Navy was practically blockading traffic to and from the mainland was so similar to conditions at the beginning of the Kulangsu incident⁷³ that these demands met with great resentment on the part of the Municipal Council and third power nationals residing in the Settlement.

Sent to Peiping, repeated to Chungking, Shanghai. Peiping please transmit to Tokyo.

MACVITTY

893.102 Kulangsu/286 : Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMOY, January 20, 1940—11 a. m.

[Received January 21—7:35 a. m.]

3. The information requested in the Department's telegram No. 19 to Peiping, January 18, 7 p. m.,⁷⁴ was perhaps given in my telegram of May [January] 18, noon; further details follow:

Early in the month the Japanese members of the Municipal Council at a meeting of the Council requested consideration of an increase in the 1940 budget to include funds for 10 additional Formosan police. A few days later the assassination of Ng, a puppet, occurred and the Japanese Navy stopped all traffic with the mainland. On January 15 the Japanese military authorities⁷⁵ sent for the chairman of the Municipal Council⁷⁶ and presented him with a letter stressing the

⁷³ See *Foreign Relations*, 1939, vol. iv, pp. 108 ff.

⁷⁴ Not printed.

⁷⁵ In telegram No. 4, January 27, noon, the Consul at Amoy corrected the words "military authorities" to read "Consul General." (893.102 Kulangsu/289.)

⁷⁶ L. H. Hitchcock.

necessity of the engagement by the Council of 10 additional Formosan police and requesting that the budget estimates be so prepared that these expenditures would be cared for. Mr. Hitchcock upon receiving the letter told Uchida "that the situation bore a striking resemblance to that of the summer of 1939 where he was saying 'give me an inspector and I will lift the blockade' and his attitude in both cases seemed to be 'give me 10 police and I will lift the blockade.'" It may be stated that the sentiments expressed by Mr. Hitchcock are those of all the third power nationals in the Settlement.

As stated in my telegram of January 18, noon, limitations on traffic have been withdrawn and the matter of additional police representation has been referred to a committee of the representative payers.

The whole incident has been closed by amicable negotiations and an absence of threats, other than the interference with traffic. However, it seems certain that the Japanese took advantage of the Ng assassination to try to stampede the Council into granting additional police representation.

Repeated to Peiping and Chungking.

MACVITTY

893.102 Kulangsu/287 : Telegram

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

PEIPING, January 22, 1940—3 p. m.
[Received January 22—9:33 a. m.]

31. Department's 19, January 18, 7 p. m., to Peiping, Peiping's 30, January 20, noon, to the Department⁷⁷ and Amoy's January 20, 11 a. m., to the Department.

1. Inasmuch as the section of the agreement of October 17, 1939,⁷⁸ between the Kulangsu Municipal Council and the Japanese relates to the employment of additional police provides that the former will consider the appointment of 10 additional Formosan policemen when it considers its financial condition allows, it seems to the Embassy that the question of additional employment of Formosan police rests solely and exclusively with the Kulangsu Council and since the question has been referred to a subcommittee the better course would appear to be to leave the matter for negotiation between the Council authorities and the Japanese, the American Consul confining himself at least for the present to giving advice to the Council should it be sought. It is my understanding that the Council is already in strait-

⁷⁷ Neither printed.

⁷⁸ See telegram of October 17, 1939, 9 p. m., from the Consul at Amoy, *Foreign Relations*, 1939, vol. iv, p. 162.

ened financial circumstances with high taxation for 1940 and in prospect and inasmuch as the financial condition of the Council would presumably be the determining factor in the matter of increasing the police force it is assumed that the Council will not be in a position to grant the Japanese demand.

2. The Japanese appear to be employing substantially the same tactics at Amoy that they have been employing at Shanghai for many months in the matter of strengthening their hold there on the police administration of the International Settlement.⁷⁹ There is every probability that the Japanese demands at Amoy are largely political rather than a genuine desire for added police protection and that it is a part of a policy of ultimately dominating the administration of the Kulangsu Council and ultimately to dominate the International Settlement at Shanghai if it can be accomplished. One assassination whether of a political character or not would scarcely warrant such a heavy additional financial burden on the Kulangsu Council as the granting of the demands would entail. If representations should be made now or later, it is respectfully suggested that they be made both at Amoy and Tokyo at substantially the same time.

Repeated to Chungking and Amoy, code text by airmail to Tokyo.

LOCKHART

893.102 Kulangsu/289 : Telegram

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

WASHINGTON, January 29, 1940—7 p. m.

39. Amoy's 4, January 27, noon,⁸⁰ situation at Kulangsu. From the wording of the Japanese Consul General's letter to the Municipal Council of January 15 as quoted in section 2 of Amoy's telegram under reference it would not appear that the request made therein could be construed as a "demand". However, in the light of the fact that the Japanese naval authorities reinstated a blockade of shipping between Kulangsu and the mainland, it seems clear that the Japanese authorities employed, in connection with the presentation of the Consul General's letter, substantially the same tactics of coercion as were employed prior to the agreement of October 16 [17], 1939. It also seems clear that the employment of these tactics in connection with the making of a request seeking to bring to issue a matter covered by the agreement of October 16 [17], was in violation both of the spirit and the letter of that agreement (see Department's 19, January 18, 7 p. m., to Pei-

⁷⁹ See pp. 727 ff.

⁸⁰ Not printed.

ping⁸¹). The Department is accordingly of the opinion that you should, unless you perceive substantial objection, call at the Foreign Office and make known orally and informally this point of view and express our surprise that the local Japanese authorities at Amoy should have taken the action in question.

Sent to Tokyo via Peiping. Repeated to Chungking, Shanghai, and Amoy.

HULL

893.102 Kulangsu/298

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

No. 4508

TOKYO, February 17, 1940.

[Received March 8.]

SIR: Confirming my telegram no. 110, February 12, 6 p. m.,⁸¹ I have the honor to report that, conformably to the instructions contained in the Department's telegram no. 29 [39], January 29, 7 p. m., oral representations were made on February 6 by the Embassy to the Foreign Office with regard to the action of the Japanese authorities in instituting a blockade between Kulangsu and the mainland and making demand, at the same time, that the Kulangsu municipal authorities appoint additional constables. The Foreign Office was informed of the surprise of the American Government that the Japanese authorities have again adopted coercive methods. It will be noted from the memorandum of conversation, a copy of which is enclosed,⁸¹ that the Foreign Office contended that the blockade was a police measure and was not connected in any way with the demand of the Japanese Consul General for the appointment of additional constables.

The Foreign Office took occasion on February 10 to reaffirm its position in the matter—as did the Embassy the American position—and stated that a memorandum was under preparation and would be presented shortly to the Embassy. An informal document dated February 10, 1940, was received from the Foreign Office on February 12. It will be noted from the enclosed copy⁸¹ in translation that there are recited in the paper certain events and developments in support of the Japanese contention that there was no connection between the blockade and the approach to the Municipal Council of the Japanese Consul General.

Respectfully yours,

JOSEPH C. GREW

⁸¹ Not printed.

893.102 Kulangsu/293 : Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMoy, February 29, 1940—6 p. m.

[Received March 1—12:46 a. m.]

With reference to the Embassy at Tokyo despatch 4503 [4508] dated February 17th, I have to report that the Rate Payers Committee disagreed as to the Council's financial ability to pay for the additional 10 Formosan police. The American, British, and Dutch members of the Committee state that at present the Council's finances do not justify this expenditure and the Japanese members state that the Council should assume the liability.

The Japanese Consul General told the chairman of the Municipal Council yesterday, "I have brought down my request to 5 Formosans now and 5 later [and?] although I am trying to keep them quiet the Japanese Navy may cause some small inconvenience if the Formosan police are not hired. I do not mean there will be landing parties but some inconveniences might be caused. I am trying to keep the navy quiet." The above would appear to prove that pressure is being used.

The crux of the situation seems to be that Mr. Uchida is demanding 3-year contracts at salaries three times those paid to police who have been in service for 10 years and the Council, in view of uncertain conditions, does not deem it advisable to bind itself for expenditures beyond the financial year.

Sent to Peiping, Chungking. Peiping please repeat to Tokyo.

MACVITTY

893.102 Kulangsu/294 : Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMoy, March 5, 1940—2 p. m.

[Received 2:35 p. m.]

At the annual Kulangsu Rate Payers meeting yesterday afternoon a revised budget was passed authorizing increases in the basic pay of the Chinese and Indian police and authorizing the Municipal Council to employ additional Formosan police "when the body considers its financial condition allows." The proposal for the acceptances of the revised budget and the authorizations was made by the Japanese Vice Consul, Mr. Okomoto, after heated speeches had been made by a Japanese and a British rate payer as to the Council's present ability to pay the high cost of engaging more Formosans for its police force. The applause which followed the British rate payer's speech clearly

indicated that the [third] power rate payers were strongly opposed to the pressure being placed on the Council by the Japanese.

Sent to Peiping. Repeated to Chungking. Peiping please transmit to Tokyo.

MACVITTY

893.102 Kulangsu/300: Telegram

The Consul at Amoy (MacVitty) to the Secretary of State

AMoy, March 22, 1940—11 a. m.
[Received March 22—10:46 a. m.]

Reference my telegram March 21, 2 p. m.,⁸³ with reference to the attempted assassination of Yin.⁸⁴ The Japanese have again put into effect their blockade between Kulangsu and the mainland as well as between the International Settlement and Amoy.⁸⁵

The puppet mayor of Amoy in an interview published in today's *Fukien Daily News* of Amoy (Japanese sponsored newspaper) stated, "as the Kulangsu Municipal Council cannot keep order in Kulangsu, the Settlement should be returned to the Chinese." The U. S. S. *Asheville* is in port.

Sent to Peiping. Repeated to Chungking and Shanghai.

MACVITTY

893.102 Kulangsu/308

*The Consul at Amoy (MacVitty) to the Ambassador in China (Johnson)*⁸⁶

No. 85

AMoy, May 24, 1940.

SIR: I have the honor to refer to my despatch to the Embassy No. 80 dated April 29, 1940,⁸³ regarding the endeavor of the Municipal Council to minimize the interference with junk traffic between Kulangsu and the mainland by the Japanese Naval authorities at Amoy, after each assassination or attempted assassination of puppets, in the International Settlement.

It appears that Mr. Uchida has been endeavoring for the past month to secure some assurance from the Japanese Naval authorities that would justify the Council in granting the immediate appointment of five Formosan police, however, the Naval authorities evi-

⁸³ Not printed.

⁸⁴ A Japanese subject.

⁸⁵ The blockade was lifted on April 5.

⁸⁶ Copy transmitted to the Department by the Consul at Amoy in covering despatch No. 136, May 24; received July 3.

dently would not agree to a direct statement. This information was conveyed by Mr. Uchida to Mr. Hitchcock, the Chairman of the Municipal Council yesterday morning, and at the same time Mr. Uchida handed Mr. Hitchcock a letter which he stated contained the best offer he was able to obtain from the Navy. In presenting the letter he said the first two paragraphs were put in merely for "face-saving" purposes, and he assured Mr. Hitchcock that if the appointment of five Formosans was immediately agreed to and the additional five, promised under the agreement of October 17, 1939, were appointed in July, there would be no further difficulties.

In view of the above assurances the Municipal Council, at a meeting held yesterday afternoon, agreed to the immediate appointment of the five Formosan police.

It has been evident throughout all the negotiations, that while Mr. Uchida was entirely agreeable to eliminating the unnecessary blockades, the Japanese Navy desired to retain liberty of action in this matter as a threat against the Municipal Council.

Respectfully yours,

K. de G. MACVITTY

AMERICAN INTEREST IN SITUATION CREATED BY JAPANESE DEMANDS ON THE BRITISH CONCESSION AT TIENTSIN **

893.102 Tientsin/551 : Telegram

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

CHUNGKING, January 12, 1940—1 p. m.
[Received 7:50 p. m.]

23. My 637, December 13, 5 p. m.⁸⁹ and 636, December 11, 11 a. m.⁹⁰ I received today a visit from Y. M. Chien, Chairman of the Board of Directors of the Bank of Communications; J. H. Chen, Deputy Governor of the Central Bank, and Tsuyee Pei, Assistant General Manager of the Bank of China. They stated that yesterday they called on the British Ambassador⁹¹ to discuss the disposition of the silver on deposit in the British Concession at Tientsin since they were informed that he was endeavoring to effect an arrangement that would be satisfactory to all the parties involved. The Ambassador told them he had caused steps taken in this matter to be brought to the knowledge of the Department of State and they thought therefore

⁸⁹ Continued from *Foreign Relations*, 1939, vol. iv, pp. 163-262.

⁹⁰ See *ibid.*, p. 255, footnote 51.

⁹¹ *Ibid.*, p. 254.

⁹² Sir Archibald J. K. Clark Kerr.

that the attitude toward the proposed solution of the question taken by their respective banks might be of interest to the Department, especially in view of the interest felt in China's currency by the American Government as shown in recent times by purchases of silver from China and in other ways. Following is summary of their statement: they understand that the British Government has proposed to the Chinese Government that this silver amounting to 19,000,000 dollars in Chinese currency be deposited in a neutral bank in Tientsin (possibly the National City [Bank of New York] or Belgian Bank which have the necessary space in their vaults) and that the equivalent of 100,000 pounds (roughly one-tenth) be devoted to relief of suffering in North China. The banks hold that this question concerns them as well as the Chinese Government since strictly speaking the money is part of the assets of as well as part of the reserves behind the currency, which currency the three banks named with the addition of the Farmers Bank have the duty to support. This matter concerns the whole country and not Tientsin alone. They deprecate the suggested arrangement because arbitrary disposal of such assets and of such reserves would lead the public to question in principle the stability of both the banks and the currency. They stated that half of the capital funds of the banks belonged to the Chinese Government but of the remainder a very large part had been subscribed by the public. They stated incidentally that twice as much silver was on deposit in the French Concession at Tientsin as in the British Concession and that the British Ambassador had suggested that they express their views to the French Ambassador⁹² as well as to him.

The informants said they thoroughly understood the desire of the Ambassador to effect a solution of this problem in order to bring an end to the restrictions on the British Concession but they were obliged nevertheless to express their views as summarized. They inquired what my personal views were and I replied that when the element of force was introduced all questions of this sort became extremely difficult to handle. I refrained from inquiring what solution the banks themselves would suggest and from all other comment on the merits of the question but said that I would inform the Department and the Ambassador⁹³ of the considerations the informants had advanced as being interesting commentary on this much publicized matter. They intimated an intention to supply the Embassy with a memorandum further elucidating the subject.

Repeated to Peiping. Peiping please repeat to Tokyo.

PECK

⁹² Henri Cosme.

⁹³ Nelson Trusler Johnson.

893.102 Tientsin/550: Telegram

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

CHUNGKING, January 13, 1940—noon.

[Received January 13—3: 50 a. m.]

26. My 23, January 12, 1 p. m. At a reception given yesterday at the Soviet Embassy both the Chinese Minister for Foreign Affairs⁹⁴ and the British Ambassador told me privately that they wished to discuss with me the matter of the silver in the British Concession at Tientsin.⁹⁵ I felt it was impossible for me to refuse to hear their views but unless otherwise instructed my own attitude will be based on the supposition that the American Government is and desires to remain without involvement in this matter, but the Department desires to be informed of views expressed by the interested parties.

Repeated to Peiping. Peiping please mail to Tokyo.

PECK

893.102 Tientsin/550: Telegram

The Secretary of State to the Counselor of Embassy in China (Peck), at Chungking

WASHINGTON, January 13, 1940—5 p. m.

5. Your 26, January 13, noon, in regard to silver at Tientsin. Department approves your attitude as reported in the telegram under reference. Department's attitude is summarized in last two sentences of paragraph 1 of its telegram No. 300, October 5, 7 p. m., to Tokyo.⁹⁶ Department desires to avoid participation in official discussion relating to the disposition of the silver in question.

Sent to Chungking. Repeated to Peiping. Peiping please mail to Tokyo.

HULL

893.102 Tientsin/552: Telegram

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

Tokyo, January 17, 1940—6 p. m.

[Received January 18—4: 05 a. m.]

25. Our telegram No. 682, December 16, 11 a. m., 1939.⁹⁷

1. We were informed by the British Embassy this morning that, with the exception of the problem of radio stations in the British Con-

⁹⁴ Wang Chung-hui.

⁹⁵ The Chinese Ambassador in the United States (Hu Shih) on January 15 discussed the same matter with the Acting Chief of the Division of Far Eastern Affairs (Ballantine).

⁹⁶ *Foreign Relations*, 1939, vol. iv, p. 247.

⁹⁷ Not printed.

cession and one point of general policy, settlement of the police questions at Tientsin has been agreed upon by the British and Japanese officials here in Tokyo. Tentative agreement has been reached for the settlement of the question of radio stations. The Japanese had objected to allowing continued operation of the stations until such time as the British authorities were convinced that the *de facto* government was offering satisfactory radio communication services (please refer to page 3 section C of enclosure No. 4 in Embassy's despatch No. 4102, August 24 [25], 1939⁹⁸). It is now proposed that the *de facto* Chinese authorities purchase the radio station owned by an American firm, presumably the American radio service station. The Japanese authorities in Tokyo are said to have wholeheartedly accepted this proposal but that it was less enthusiastically received by the Japanese authorities in Tientsin, owing to probable difficulties in arranging payment for the property. Our British informant said that the American station was in a doubtful legal position and might be closed by the municipal authorities of the Concession at any time, but that it was hoped that sale of the station would satisfy the Japanese and make possible the continuance of the convenient service now available. He said that the American Consul General in Tientsin⁹⁹ has been informed of this proposal.

2. The question of the silver in the Concession is still under discussion at Chungking and the various agreements which are being reached here in Tokyo on other questions will not be announced until such time as the silver and other questions are settled.

Sent to Department via Peiping. Peiping please repeat to Tientsin, Chungking. Repeated to Tientsin, Chungking.

GREW

893.102 Tientsin/559: Telegram

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

TIENTSIN, January 27, 1940—noon.

[Received 5:25 p. m.]

11. My telegram No. 9, January 24, 4 p. m.¹ I have been notified informally by the Japanese Consulate General that from tomorrow

⁹⁸ *Foreign Relations*, 1939, vol. iv, p. 238; enclosure not printed.

⁹⁹ John K. Caldwell.

¹ Not printed.

electrified fence around British and French Concessions will again be charged. Evidently it has not been charged since submerged by August flood.

So far as reported, expiration of treaty² has not brought noticeable change in the attitude of the Japanese military toward Americans that could safely be ascribed to that cause, though there may be less cordiality on the part of some sentries than formerly. Increased barrier difficulties appear to affect other nationals as well and in some cases may be due to changes in personnel at barriers.

Repeated to Peiping, Shanghai, air mail to Tokyo.

CALDWELL

893.102 Tientsin/575

The Chinese Embassy to the Department of State

FORMULA FOR THE SOLUTION OF THE SILVER QUESTION IN NORTH CHINA

The following formula for the solution of the silver question in North China has been tentatively agreed upon between the Chinese Government and the British Ambassador on the understanding that the British Government guarantee that no further difficulties in this matter will arise from any quarter:

(1) An amount of silver equivalent to 100,000 pounds is to be sold at world market rate for sterling which shall be entrusted to the International China Famine Relief Commission and used exclusively for North China relief. The Commission is to sell all sterling for *Fapi* (Chinese legal tender) at the official rate of 1 shilling 2¼ pence only to the Chinese banks who are owners of the silver.

(2) The balance of the silver is to be deposited in the name of the Chinese banks concerned with a neutral bank (preferably the National City Bank of New York which is the only neutral bank with room in vaults sufficient for the silver in question) for safekeeping until the end of the hostilities.

WASHINGTON, January 29, 1940.

893.102 Tientsin/578

*Memorandum by Mr. Walter A. Adams of the Division of Far Eastern Affairs of a Conversation With the First Secretary of the Chinese Embassy (Tsui)*³

[WASHINGTON,] February 8, 1940.

Mr. Tsui called at the Department in response to a telephoned request from Mr. Adams. Mr. Adams referred to Mr. Tsui's call on Mr.

²Treaty of Commerce and Navigation between the United States and Japan, signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315; see also *ante*, pp. 625 ff.

³ Initialed by the Chief of the Division (Hamilton).

Ballantine on January 29, 1940, when Mr. Tsui left with Mr. Ballantine a formula tentatively agreed upon between the Chinese Government and the British Ambassador to China in regard to silver stored at Tientsin.⁴ Mr. Adams reminded Mr. Tsui of his question whether the Department perceived objection to the deposit of the balance of the silver in the National City Bank of New York as mentioned in point two of the formula. Mr. Adams communicated orally to Mr. Tsui the substance of the attached "Informal Record of Oral Comments"⁵ and then handed him a copy of it.

After reading the memorandum Mr. Tsui remarked that of course the American Government would understand that the Chinese Government could not undertake to obtain the assent of the Japanese to the formula. Mr. Adams replied that he understood that the British were in touch with the Japanese in regard to the silver under discussion.

Mr. Tsui then said that he did not understand how complications for the National City Bank could arise in connection with the storage in its vaults of the silver because the Bank was in the British Concession and the British would therefore be responsible for the protection of the Bank and the silver. Mr. Adams said that if this was the case he could not see that any advantage would be gained by moving the silver which was understood to be stored now in the British Concession. Mr. Tsui replied that the Japanese would be less likely to attempt to seize the silver if it were stored in an American bank.

Mr. Adams emphasized the desire of the Department to be helpful in the matter and Mr. Tsui expressed his appreciation of this attitude and said that he would report the matter to the Chinese Ambassador.

893.102 Tientsin/578

The Department of State to the Chinese Embassy

[WASHINGTON,] February 8, 1940.

INFORMAL RECORD OF ORAL COMMENTS

American banks are, within the framework of the laws and regulations governing them, free to make their own decisions in the conduct of their business. If the National City Bank were to ask for the views of this Government in regard to the question of storing in its vaults at Tientsin the silver under discussion, this Government would feel impelled to point out that, as the matter now stands, the Japanese have not assented to the formula tentatively agreed upon between the Chinese and British authorities, that the formula makes

⁴ *Supra.*

⁵ *Infra.*

no provision for the final disposition of the silver, that it also leaves open the question of who would decide when or whether hostilities had ceased, and that there would thus arise the possibility of serious complications for the bank if it were to accept the silver for storage under the conditions of that formula.

The Department of State desires, however, to be appropriately helpful and, if all of the parties concerned are able to work out an arrangement that would not give rise to the possibility of complications for the American bank concerned, the Department would willingly give further consideration to the attitude to be adopted by it toward such arrangement.

893.102 Tientsin/579 : Telegram

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

TIENTSIN, February 26, 1940—4 p. m.

[Received February 26—12:20 p. m.]

27. During the month elapsed since the termination of the Japanese-American treaty there has been observed no worsening of Japanese-American relations here, or of treatment accorded to Americans at the barriers by Japanese military.

With reference to the numerous cases of interference with the transportation of foodstuffs through the barriers by Americans which occurred during late December and January, as reported in telegrams 9, January 24, 4 p. m.; 13, January 31, 3 p. m.; 18, February 2, 11 a. m., and in monthly political report for January,⁶ in reply to numerous protests and representations both oral and written, I received a communication from the Japanese Consul General⁷ dated February 22. A communication had been received from the Japanese military authorities to the effect that instructions had been issued to the barrier sentries and the Chinese police on duty at the barriers that the transportation of foodstuffs is not to be prohibited; but adding that there may occasionally be delays in passing because of the inspections.

All special barrier passes for American women and children requested have been issued promptly and are accomplishing their purpose satisfactorily. As the result of repeated requests 46 military passes for American men have been obtained since my telegram No. 9, January 24, 4 p. m., making a total of 48 out of 75 applied for by this Consulate; these have not been refused but are still under con-

⁶ None printed.

⁷ Yoshio Muto.

sideration and a few more may be obtained. About 15 American men obtained passes without application through this office, making a total of about 63 military passes in the hands of American men, exclusive of those issued to certain members of this Consulate General.

Repeated to Chungking, Peiping, Shanghai, airmail to Tokyo.

CALDWELL

893.102 Tientsin/581: Telegram

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

TOKYO, March 5, 1940—4 p. m.

[Received March 6—6:30 a. m.]

153. Our 25, January 17, 6 p. m. We were informed upon inquiry at the British Embassy this morning that contact had been reestablished by the British Ambassador⁹ with the Japanese Government over the Tientsin silver question; that Craigie had on March 4 made certain proposals to the Japanese Vice Minister for Foreign Affairs,¹⁰ of which the most important was the setting aside of 100,000 pounds of the silver for relief purposes; and that the Japanese Foreign Office had promised a formal reply within a few days. Our informant added that there were good indications that the Japanese Government would accept the British proposals.

Peiping please repeat to Tientsin, Chungking.

GREW

893.102 Tientsin/586: Telegram

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

TOKYO, March 9, 1940—3 p. m.

[Received March 9—3:20 a. m.]

161. Chungking 113, March 4, 1 p. m.¹¹ Tientsin silver. My British colleague informs me that on March 4 he handed to the Vice Minister for Foreign Affairs a statement of the changes desired by the Chinese Government in the proposed Anglo-Japanese agreement with regard to the Tientsin silver and that "Tani's immediate reaction was to reject the amendments practically *in toto*." Craigie is to let me have Tani's reasoned observations when received.

Repeated to Peiping for Chungking, Tientsin and Shanghai.

GREW

⁹ Sir Robert L. Craigie.

¹⁰ Masayuki Tani.

¹¹ Not printed.

893.102 Tientsin/623 : Telegram

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

TIENTSIN, April 8, 1940—6 p. m.
[Received April 8—6 : 52 a. m.]

50. My 43, March 26, 4 p. m.¹³ Barrier conditions have not improved; congestion and delays are probably greater particularly for British; some sentries stop cars at a distance and insist that drivers, including Americans, alight to present passes and wait for permission to proceed.

Almost daily oral representations are made to Japanese consular and military authorities, and on March 27th I wrote to the Japanese Consul General making specific reference to the delays being encountered by American owned cargo covered by consular certificates and requesting that, in conformity with the repeated assurances of the Japanese authorities, such goods be passed promptly. The letter has not been answered and no beneficial effect can be observed.

Repeated to Chungking, Peiping. Air mail to Tokyo.

CALDWELL

893.102 Tientsin/626 : Telegram

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

TIENTSIN, April 11, 1940—noon.
[Received April 11—5 : 45 a. m.]

53. My 52, April 10, 4 p. m.¹³ I have called on Japanese Consul General and protested both orally and in writing against interference with passage of Marine Corps trucks through the barriers and requested that instructions be issued at once to barrier sentries to ensure unrestricted passage of such trucks.

After telephoning to military headquarters, the Japanese Consul General informed me that no orders to interfere with or restrict passage of Marine Corps trucks through the barriers had been issued; that case reported yesterday would be investigated immediately and instructions issued that such trucks were to have free passage.

I took this occasion to discuss fully and frankly numerous barrier difficulties, referring to the numerous unanswered letters, and in view of the cordial attitude manifested I am hopeful that some improvement may result.

Repeated to Chungking, Peiping. Air mail to Tokyo.

CALDWELL

¹³ Not printed.

893.102 Tientsin/642

*The British Embassy to the Department of State*¹⁴

AIDE-MÉMOIRE

His Majesty's Embassy have been instructed to inform the State Department for their confidential information that as a result of negotiations between the Japanese Government and His Majesty's Ambassador in Tokyo in regard to the situation at Tientsin, the following draft statement regarding the silver now in the Bank of Communications at Tientsin has been agreed upon between Sir Robert Craigie and the Japanese authorities:—

(1) The silver coin and bullion now in the Bank of Communications in Tientsin shall remain in that bank under joint seal of the British and Japanese Consuls General in that city.

(2) Except as provided in the third paragraph below, this silver shall remain under seal until such time as the Governments of the United Kingdom and Japan shall agree upon other arrangements for its custody. This silver shall be sealed in the presence of the British and Japanese Consuls General in Tientsin.

(3) Before this silver is thus placed under seal a quantity equivalent to the sum of one hundred thousand pounds sterling shall be set on one side to provide a fund for relief of famine conditions resulting directly from flood in certain areas and drought in other areas of North China. Such relief shall include provisions for certain machinery urgently required from abroad to drain water from the flooded areas, thus diminishing danger of epidemics.

(4) The appropriate British authorities will be prepared to give all possible facilities to enable the silver thus set on one side to be allocated for relief purposes; to be sold; and to be used for the purchase of food-stuffs and other articles required for relief.

(5) The British and Japanese Consuls General in Tientsin shall appoint experts who, under the supervision of the Consuls General, will assist them in the administration of this fund and will advise the existing relief committee in Peking as to the distribution of food and other articles required for relief purposes. In addition to the Japanese and British advisers, experts of Chinese and French nationality and one expert of another nationality shall be invited to assist in this work.

The text of this statement is being communicated to the Chinese Government by His Majesty's Ambassador at Chungking. His Majesty's Government feel that the consent of the Chinese Government to the formula cannot reasonably be refused. In the first place, the Chinese Government have already agreed to allot £100 thousand worth of silver for relief. In the second place, by securing the sealing of the silver where it lies in the Bank of Communications, the Chinese Government maintain their right of "nuda proprietas" with the addi-

¹⁴ Handed by the Counselor of the British Embassy (Butler) to the Chief of the Division of Far Eastern Affairs (Hamilton) on April 17.

tional safeguard of the seal of the British Consul General. Furthermore, the provision in clause 5 that the relief fund should be under the control of a genuinely international body should, it is hoped, be acceptable to the Chinese authorities. The terms contained in the formula are more favourable to the Chinese Government than His Majesty's Government had at one time thought possible, and have only been secured by hard bargaining by His Majesty's Ambassador at Tokyo over a long period during which the British community at Tientsin has been faced with a situation involving great hardship and danger. In return, the Japanese Government now undertake to remove all the barriers and restrictions, and to suppress all anti-British action and activities at Tientsin. That being so, His Majesty's Government feel that it is very desirable to bring this agreement into force at the earliest possible moment, and they do not consider that they would be justified in postponing action to this end even in the event of the Chinese Government raising objections.

In making the above communication to the State Department, His Majesty's Embassy have been directed to add that in addition to the agreement in regard to silver, agreements will also be concluded concerning the currency and the abolition of restrictions at Tientsin, while an announcement will be made regarding the control of terrorist and anti-Japanese activities in the Concession. These various undertakings, the final details of which have not been completed, will be communicated as soon as possible to the State Department. His Majesty's Government feel confident that the different agreements will be found to have been drawn up on the side of His Majesty's Government with due regard to the principles of the Nine Power Treaty¹⁵ and to the policies which His Majesty's Government have endeavoured to follow in the Far East in line with the other interested governments.

WASHINGTON, April 15, 1940.

893.102 Tientsin/642

*The British Embassy to the Department of State*¹⁶

DRAFT MEMORANDUM REGARDING CURRENCY AT TIENSIN

1. The British Municipal Council will place no difficulties in the way of the use of Federal Reserve Bank currency within the Concession.

¹⁵ Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

¹⁶ Handed by the Counselor of the British Embassy (Butler) to the Chief of the Division of Far Eastern Affairs (Hamilton) on April 17.

2. The British Municipal Council have decided to withdraw the licences of all exchange shops not established prior to 1939. Licences will not be issued to new shops unless they are vouched for by the Native Bankers Guild and have adequate capital. Licences will be renewable monthly.

3. Any points of difficulty which may arise in connexion with the application of the above measures will be discussed locally between the British and Japanese Consuls General.

WASHINGTON, April 16, 1940.

893.102 Tientsin/634 : Telegram

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

TIENTSIN, April 18, 1940—11 a. m.

[Received April 18—3 : 50 a. m.]

57. My 56, April 18, 10 a. m.¹⁷ In a conversation with Vice Consul Yuni yesterday concerning the numerous present barrier difficulties of Americans, the Japanese Consular official who usually handles such matters asserted that attitude of American Government as evidenced by abrogation of the treaty and in other ways which he declined to specify has been designed to prevent a settlement of the Tientsin questions under discussion between the British and the Japanese authorities (see paragraph 3, my telegram No. 277, November 22, 6 p. m., 1939¹⁸).

Repeated to Chungking, Peiping, air mail to Tokyo.

CALDWELL

893.102 Tientsin/632 : Telegram

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

WASHINGTON, April 18, 1940—7 p. m.

119. Tientsin's 54, April 15, noon, and 55, April 17, 4 p. m.¹⁹ Please make an approach to the Japanese Foreign Office in such manner as you may deem appropriate but without mention of the Tientsin Chamber of Commerce and point out emphatically that the long-continued and unlawful interference by Japanese armed forces and their agencies with the movement of American citizens and of Amer-

¹⁷ Not printed.

¹⁸ *Foreign Relations*, 1939, vol. iv, p. 252.

¹⁹ Neither printed.

ican-owned merchandise at Tientsin has been the subject of repeated conversations between American and Japanese officials but without cessation of such interference. The Department suggests that you say that it seems obvious that further instruction from Tokyo to the Japanese armed forces at Tientsin will be required to effect an improvement in the situation and that you ask that such instruction be sent.

Sent to Tokyo via Peiping. Repeated to Chungking and Tientsin.

HULL

893.102 Tientsin/640 : Telegram

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

TOKYO, April 23, 1940—1 p. m.
[Received April 23—10:03 a. m.]

278. Department's 119, April 18, 7 p. m.—Tientsin barriers.

1. As the Vice Minister for Foreign Affairs has been dealing with this question and as I have reason to believe that he is genuinely endeavoring to bring about complete raising of the barriers in Tientsin, I made the desired representations to him today as under my Government's instructions and requested him to bring these representations to the attention of the Foreign Minister.²⁰ My oral representations, supported by a *pro memoria* of five long typewritten pages²¹ which was left with the Vice Minister, recited our previous representations and followed closely the Department's 119, April 18, 7 p. m., and the salient facts in Tientsin's 53,^{21a} 54 and 55.²² Representations were made with strong emphasis and a clear indication of the unfortunate effect on American public opinion to be expected from these long continued and recently aggravated conditions.²³

2. Mr. Tani, after listening to my representations, said that our request that instructions be sent to the Japanese authorities in Tientsin would be followed and that renewed efforts would be made to improve the situation. He added that he is optimistic that the barriers will soon be entirely withdrawn.

3. Through an error of a secretary at the Foreign Office which was clearly unintentional and unknown to Tani, an appointment with the Vice Minister was made for the British Ambassador at the same hour

²⁰ Hachiro Arita.

²¹ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 678. On April 27 the Ambassador in Japan made further representations (893.102 Tientsin/672).

^{21a} April 11, noon, p. 848.

²² Neither printed.

²³ For Japanese *note verbale* in reply, dated May 10, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 680.

as my appointment and Sir Robert Craigie arrived at the Vice Minister's official residence soon after I had begun my representations. As we were both to discuss *inter alia* the situation in Tientsin, Tani asked if I had any objection to Sir Robert's joining us. I replied that I had no objection provided that it be clearly understood that Craigie and I had not arrived simultaneously by prearrangement and that this point be made clearly to the press should it learn of our meeting. We were not making joint representations and neither Sir Robert nor I knew that the other had intended to come. Tani definitely promised to state to the press, should publicity ensue, that we had come separately. I left to Tani the question of the helpfulness of giving publicity in Japan to my representations.

4. Sir Robert in his representations said that the situation as regards British nationals at the barriers is steadily becoming worse and that in the face of continual anti-British actions of the Japanese forces in China, his Government is beginning to wonder whether its conciliatory policy toward Japan is justified. It is obvious, he said, that the provisional agreement on the silver and currency questions must depend upon the complete raising of the barriers and he charged the Japanese military with bad faith in failing to implement the Japanese side of the bargain which so long has been under negotiations. At this point Tani repeated his optimistic prediction as to the raising of the barriers.

Repeated to Tientsin.

GREW

893.102 Tientsin/651

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

No. 509

CHUNGKING, April 24, 1940.

[Received May 9.]

SIR: I have the honor to enclose for the Department's information a copy of an informal note received from the Minister for Foreign Affairs dated April 23, 1940, enclosing a copy of a memorandum prepared in the Ministry under his instruction²⁴ and relating to negotiations which have been going on between the British Embassy and the Chinese Ministry of Foreign Affairs in regard to certain Chinese owned silver located in the British Concession at Tientsin, which has been the subject of discussion between the British and the Japanese Governments. The Department will note that the memorandum states that the Chinese Government is unable to accept the formula believed to have been agreed upon between the British and Japanese Govern-

²⁴ Neither printed.

ments and described in the memorandum. Reference is made, in this connection, to a telegram which this Embassy sent to the Department, No. 113, March 4, 1 p. m.,²⁶ in regard to this subject, and to telegrams from the Embassy at Tokyo to the Department reporting on the progress of the discussions there between the British Embassy and the Japanese Foreign Office.

Respectfully yours,

NELSON TRUSLER JOHNSON

893.102 Tientsin/642

The Department of State to the British Embassy

The Department of State thanks the British Embassy for the information contained in the Embassy's *aide-mémoire* of April 15 and in its draft memorandum of April 16 in regard to silver and currency at Tientsin, both of which were left at the Department on April 17 by Mr. Butler.

While the Department of State does not wish to be considered as having taken a position in regard to the arrangement described in the British Embassy's communications under reference, or as having concurred in the views expressed in the last sentence of the British Embassy's *aide-mémoire*, the Department of State wishes to record its appreciation of the difficulties in the situation with which the British authorities are confronted at Tientsin, and of the patient effort with which those authorities have endeavored to meet the problems arising out of responsibilities connected with the British Concession there.

WASHINGTON, April 25, 1940.

893.102 Tientsin/654: Telegram

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

TOKYO, May 10, 1940—6 p. m.
[Received May 10—2:15 p. m.]

323. Our 313, May 8, 4 p. m.²⁶ My French colleague²⁷ tells me that in a recent conversation with the Vice Minister for Foreign Affairs he said to Mr. Tani that if the British and Japanese should come to a definite agreement with regard to the question of the silver and the raising of the blockade of the foreign Concessions in Tientsin and if the Foreign Office should then ask the French Government to

²⁶ Not printed.

²⁷ Charles Arsène-Henry, French Ambassador in Japan.

accede to the agreement he, the French Ambassador, would telegraph to Paris for instructions. The Ambassador informs me that in fact he has already been authorized by his Government to accede in case of agreement between the British and the Japanese which he understands applies only to the question of the silver and the raising of the blockade. He thought that the currency and police questions had already been settled. Mr. Tani observed that the blockade of the French Concession was purely geographic and that it would be raised simultaneously with the blockade of the British Concession.

Cipher text via air mail to Peiping which has been asked to send paraphrase to Tientsin.

GREW

893.102 Tientsin/664: Telegram

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

WASHINGTON, May 27, 1940—6 p. m.

166. Tientsin's 80, May 24, 5 p. m.²⁸ The consideration mentioned in regard to the early departure of American women and children for the summer holidays leads the Department to suggest that, unless you perceive objection, you make a further oral approach to the Foreign Office²⁹ and request that arrangements be made without delay to provide for the free and unmolested passage of all Americans and their baggage through the barriers.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping, and Tientsin.

HULL

893.102 Tientsin/680: Telegram

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

TOKYO, June 12, 1940—8 p. m.

[Received June 12—9:05 a. m.]

445. We have been informed by the British Embassy that climaxing more than a year of patient negotiations the four agreements relating to the solution of the Tientsin issue, namely, those dealing with the police, silver,³⁰ and currency matters and the confidential record of the last conversation, were initialed this afternoon and that, con-

²⁸ Not printed.

²⁹ For the Ambassador's implementation on May 31 of the Department's suggestion, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 690.

³⁰ In despatch No. 566, June 14, the Ambassador in China enclosed copies of documents constituting an agreement between the British and Chinese Governments as to the deposit of the silver at Tientsin (893.102 Tientsin/695).

trary to the previous understanding, the Foreign Office proposes to issue a communiqué this evening announcing the reaching of a general understanding on this subject but without making mention of the specific agreements. The Embassy added that the agreements are to be signed in a week's time which is expected to be a sufficient interval to allow the military gradually to relax the barrier controls and thereby "save face".

GREW

893.102 Tientsin/683 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, June 13, 1940—noon.

[Received 2:07 p. m.]

92. My 80, May 24, 5 p. m.³¹ Barrier situation remains unchanged. Indiscriminate search of personal effects of Americans continues undiminished and my written representations to the Japanese Consulate General on May 10 and May 29 requesting that arrangements be made without delay to provide for the unrestricted passage of all Americans and their baggage through the barriers have not been answered or even acknowledged.

The acting Japanese Consul General yesterday informed me that instructions had been received from the Foreign Office, based on Ambassador Grew's representations, to eliminate such inspection, that the Consulate General was doing all it could in the matter, but that the authority of "civilians" to effect the change was definitely limited.

The acting Japanese Consul General also expressed confidence [*hope?*] that we have a little more patience.

Repeated to Chungking, Peiping, text by air mail to Tokyo.

FLETCHER

893.102 Tientsin/687 : Telegram

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

TOKYO, June 19, 1940—1 p. m.

[Received June 19—1:30 a. m.]

467. Our 460.³² My French colleague has informed me that he will today sign a statement identical to that signed by Sir Robert Craigie and the Minister for Foreign Affairs on July 22, 1939. This statement was reported textually in paragraph 5 of the Embassy's tele-

³¹ Not printed.

³² June 18, 5 p. m., not printed.

gram No. 348, July 21, 6 p. m.³³ The French Ambassador will sign tomorrow memoranda identical to those which the British Ambassador now expects to sign today for the settlement of the difficulties at Tientsin.

Mr. Arsène-Henry believed measures would be found to overcome the reported difficulties with Japanese authorities at Tientsin concerning the removal of the barriers reported in my telegram under reference.

Repeated to Peiping. Peiping please repeat to Chungking and Tientsin.

GREW

893.102 Tientsin/688 : Telegram

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

TOKYO, June 19, 1940—7 p. m.

[Received June 19—7:20 a. m.]

472. Our 460, June 18, 5 p. m.³⁴ The British Ambassador has just informed me that he and the Minister for Foreign Affairs signed the notes for the settlement of the Tientsin incident this afternoon at 3 p. m. Work on the removal of the barricades has been proceeding this past week but cannot be completed until 6 p. m., tomorrow night. At that time the Japanese have assured Craigie that all of the street barriers will be removed. The electric wire barrier will be removed gradually.

Repeated to Peiping. Peiping please repeat to Tientsin.

GREW

893.102 Tientsin/691 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, June 21, 1940—1 p. m.

[Received 2:25 p. m.]

97. Barriers surrounding foreign Concessions in Tientsin removed at 6 p. m. yesterday and pedestrian and vehicular traffic moved freely thereafter. Although Japanese sentries were not at their usual posts, Japanese soldiers remain, reputedly to ascertain the volume of traffic during coming week.

Restrictions on river traffic are also understood to have been removed, vessels no longer being required to stop for Japanese military inspection at Dairen Kisen Kaisha wharf. Details of British munici-

³³ *Foreign Relations*, 1939, vol. IV, p. 224.

³⁴ Not printed.

pal police inspection of ship's passengers and crews at Concession wharves have not yet been worked out and at present such inspection is waived.

Unidentified sources state that Federal Reserve Bank will occupy its present quarters (formerly in the blockaded area) in the first special area beginning June 24th.

Repeated to Chungking, Peiping. Air mail to Tokyo.

FLETCHER

893.102 Tientsin/698 : Telegram

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

CHUNGKING, June 22, 1940—3 p. m.

[Received June 22—10:10 a. m.]

286. The following is the text of a declaration made public by the Chinese Government of June 21 according to the semi-official Central News Agency in regard to the settlement of the Tientsin silver issue.

"With regard to the silver now stored in the British Concession at Tientsin, the Chinese Government desire to place on record the point already repeatedly emphasized in the recent conversations between the Minister for Foreign Affairs and the British Ambassador on the subject, to the effect that the silver in question is the property of the Bank of Communications and part of the reserve fund for *Fapi*. The Chinese Government further records its view that the British Government are acting as trustees for the interest of the Bank of Communications and the Chinese Government in respect of the balance of the silver after a quantity equivalent to 100,000 pounds sterling has been set aside by the Chinese Government for relief purposes in North China. Consequently the arrangement now made for sealing the silver does not alter its status in any respect."

Sent to the Department, repeated to Peiping, Tientsin, Shanghai. Shanghai please mail to Tokyo.

JOHNSON

893.102 Tientsin/715 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, July 31, 1940—4 p. m.

[Received August 1—11:08 a. m.]

On July 29 a shipment of 15 tons of structural steel owned by the J. E. Hayes Engineering Corporation, Federal Incorporated, United States of America, was prevented by a Japanese gendarme stationed near the international bridge from entering the Concessions. The gendarme stated that a military permit must be obtained.

I protested to the Japanese Consul General yesterday and in verbal reply received today it was stated that a military regulation of 1938 required official permission to move iron or steel products and therefore a permit must be obtained from the Japanese military before the steel could be brought into the Concessions. This office has never been previously informed of such a regulation and the Senior Japanese Consul yesterday told Vice Consul Yuni that he knew nothing of its existence. Efforts of this office to have the cargo passed without a permit have proved that [*sic*] of no avail. Despite lifting of the barriers, frequent stoppages and cursory examination of merchandise by Chinese police and Japanese gendarmes stationed at or near entrances to the Concessions continue but, with the exception of carpet manufacturers, the above is the first report since lifting of the barriers of Japanese interference with the entry of American owned merchandise into the Concessions. If continued and expanded, these restrictions on the movement of cargo may prove more obnoxious than the former barriers, since, as in the case of steel and wool, the goods will probably have to be subjected to military inspection before permits are issued.

Sent to Peiping. Repeated to the Department. True reading by mail to Chungking. Air mail to Tokyo.

FLETCHER

MEASURES TAKEN BY THE UNITED STATES FOR THE PROTECTION OF AMERICAN LIVES AND PROPERTY IN CHINA RESULTING FROM HOSTILITIES BETWEEN JAPAN AND CHINA ²⁵

393.1163 C and M Alliance/79

*The American Ambassador in Japan (Grew) to the Japanese Minister for Foreign Affairs (Arita)*²⁶

No. 1459

TOKYO, January 18, 1940.

EXCELLENCY: I have the honor to inform Your Excellency that information has reached me through the American Consul at Hanoi, information that has been incontestably substantiated from various sources, to the effect that the mission property of the Christian and Missionary Alliance, an American institution, at Lungchow, Kwangsi Province, was looted on December 21, 1939, and destroyed by burning on the following day, by Japanese soldiers who were occupying Lungchow. The residence of the Reverend H. E. Lang, the mission's representative, was burned to the ground.

²⁵ Continued from *Foreign Relations*, 1939, vol. iv, pp. 262-426.

²⁶ Copy transmitted to the Department by the Ambassador in Japan in despatch No. 4438, January 24; received March 8.

Maps indicating the location of this American property had been transmitted by the American Consulate General at Canton in December, 1938, to the Japanese authorities there. At the time that this looting and burning occurred, the property was stated to have been conspicuously posted with proclamations setting forth its American character and well marked by an American flag. Furthermore, from affidavits executed concerning the affair there appeared to be little doubt that the destruction of the property was deliberate.

I emphatically and most vigorously protest against this patently flagrant violation and destruction of American property. I refer in connection with this act on the part of the agents of the Japanese Government to the repeated assurances given me by the several Ministers for Foreign Affairs of Your Excellency's Government, categorical assurances which were reiterated to me no longer ago than last month during my conversations with Your Excellency's immediate predecessor,³⁷ that the Japanese Government fully intended to respect American property and American rights and interests in China and had instituted all necessary arrangements toward that end. What has now transpired with regard to one more American mission property in China is in no way in accord with those expressed assurances.

Your Excellency will undoubtedly appreciate that the manner of treatment of its property suffered by the American missionary institution in question at the hands of the Japanese military is not one in which my Government and the American people can acquiesce. Military necessity or the exigencies of military operations have been repeatedly put forward in various replies of the Ministry of Foreign Affairs to previous representations concerning cases of this character. In the instance under reference, the facts which are now in hand demonstrate beyond any peradventure that there was no requirement whether military or otherwise which can be interposed to exculpate the responsible Japanese authorities for the destruction and looting of American property.

I reserve the right to claim on behalf of the Christian and Missionary Alliance full compensation for the losses it has sustained. And, in requesting that the Japanese Government cause an immediate investigation to be made of the circumstances described in the foregoing reports, I urge upon Your Excellency that such steps be taken by the Japanese Government as will in fact terminate once and for all any further recurrence of cases such as the present instance.

I avail [etc.]

JOSEPH C. GREW

³⁷ See telegram No. 656, December 4, 1939, 10 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. II, p. 40.

793.94/15621a : Telegram

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

WASHINGTON, January 19, 1940—6 p. m.

25. The Department desires that, unless you perceive objection, you make an informal approach to the Japanese Foreign Office along lines as follows:

The Government of the United States is informed that Japanese military planes have recently subjected to frequent bombings that part of the railway between Haiphong and Yunnanfu which lies in Chinese territory. A considerable part of the trade involved in this country's normal commercial relations with China has in recent months been carried on via that railway. Japanese bombing of the railway must, therefore, necessarily injure American commerce and may endanger the lives of American citizens engaged in that commerce. This injury to our commerce and danger to our nationals comes at the very time when, according to our understanding, it is Japan's desire to indicate to this country its intention to avoid injuries to the rights of third powers in China. If the bombing continues, the United States will be compelled to enter this activity on the already long list of commercial and other injuries which it has suffered as a result of Japanese action in China. We assume that the Japanese Government is aware that the railway is an important means of ingress and egress for the personnel of American official establishments at Chungking. Bombing attacks on the railway may, therefore, endanger the lives of Americans lawfully engaged upon the conduct of official duties.

Please inform the Department of such action as you may take.
Sent to Tokyo via Peiping. Repeated to Chungking.

HULL

393.115 Standard Vacuum Oil Co./213

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

No. 2464

PEIPING, January 19, 1940.

[Received March 11.]

SIR: I have the honor to enclose, for the Department's information, copies of the Tientsin Consulate General's despatches to this office, Nos. 930, 935, 947, and 950, dated, respectively, December 21 and 27, 1939, and January 10 and 12, 1940,⁸⁸ in regard to Japanese restrictions on the movement and sale of American petroleum products at Fengchen, Suiyuan, Kalgan, Chahar, and Paoting, Hopei.

⁸⁸ None printed.

There is also enclosed a copy of the Embassy's note of January 18, 1940, to the Japanese Embassy, Peiping,³⁹ requesting the immediate removal of these restrictions and asking that the necessary instructions be issued to prevent their appearance in the same or similar form at other places.

During the last six months the Embassy, on no less than six occasions, made written representations to the Japanese Embassy for the removal of similar restrictions. Although the Japanese Embassy's response resulted in a partial removal in three or four instances, restrictions on the movement and sale of petroleum products continue to be imposed at most places in North China and Inner Mongolia where the Standard-Vacuum Oil Company and The Texas Company (China), Limited, have sales agencies. This circumstance makes it clear that the Japanese authorities have not yet issued effective instructions to put a stop to such interference. The added circumstance that at some places, such as Kalgan, restrictions of the kind now have the sanction of law, makes it appear more than likely that the Japanese authorities have no intention of issuing such instructions.

Respectfully yours,

For the Ambassador:
FRANK P. LOCKHART
Counselor of Embassy

798.94/15627 : Telegram

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

TOKYO, January 25, 1940—3 p. m.
[Received January 25—5:30 a. m.]

43. Department's 25, January 19, 6 p. m., via Peiping.

1. We have been giving the most careful consideration to the Department's instructions in this case and have carefully reviewed our Government's position and expressed policy since the outbreak of the hostilities in 1937.

2. We feel that it is in every way right and proper to call the attention of the Japanese Government to the importance of the Yunnan Railway as a means of conveying the personnel of American official establishments to and from Chungking and of the danger through bombing attacks to the lives of Americans lawfully engaged upon the conduct of official duties and of other American citizens. Such representations would not go beyond the scope of our representations in the case of the bombing of the Hankow-Canton-Kowloon Railway in 1937 (Department's 180, August 30, 1937⁴⁰).

³⁹ Not printed.

⁴⁰ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 490.

3. The bombing of the Yunnan Railway does not appear to fall within the category of the many measures taken by the Japanese in various parts of China for the purpose of preempting commercial opportunities but was obviously undertaken by the Japanese for the primary if not the exclusive purpose of preventing military and other supplies from reaching their enemy in the undeclared war.

4. It is certain in our view that the Japanese Government in reply to the Department's proposed representations will rest its case on the Japanese contention that the conflict with China confers on Japan the rights of a belligerent. Will our Government then be disposed to take a clear cut stand in opposition to such a contention? Having in mind paragraph 5 of the Department's telegram No. 3, January 3, 11 a. m., to Shanghai,⁴¹ this would not appear to be the case.

5. In order to avoid meeting this problem, which seems to us to be of considerable importance, I respectfully raise the point whether it would not be preferable to confine our representations in the bombing of the Yunnan Railway to the considerations set forth in paragraph two of this telegram.

6. Please instruct. Cipher text mailed to Peiping and Chungking.
GREW

793.94/15627 : Telegram

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

WASHINGTON, January 30, 1940—6 p. m.

41. Your 43, January 25, 3 p. m.

1. Department has carefully examined the considerations raised in your telegram under reference and, with respect to paragraph 3, observes for your information that, in connection with the reported assertion by the French Government of right to preempt certain cargo moving over the Haiphong-Yunnan railway, the American Ambassador at Paris, under instruction from the Department, brought to the attention of the French Government, *inter alia*, our specific interest in keeping open channels of trade such as the Haiphong-Yunnan railway.⁴² With reference to paragraph 4 of your telegram, while the Department considered it inadvisable, in connection with the subject then under discussion, for the American Consul General at Shanghai to discuss with the Japanese authorities the question whether the rules of war were applicable, the Department, in the event of need therefor, would be prepared to oppose a

⁴¹ *Foreign Relations*, 1939, vol. iv, p. 424.

⁴² Correspondence not printed. The Department's instruction was sent in telegram No. 1540, December 20, 1939, 7 p. m., and the Embassy in France replied in telegrams Nos. 3015, December 21, 1939, noon, and 3020, December 21, 6 p. m. (851.24/109a, 110, 111).

claim by Japan to the rights of a belligerent in the present hostilities in China.

2. Accordingly, unless you have in mind considerations other than those set forth in your telegram under reference, the Department desires that you make an informal approach to the Japanese Foreign Office along the lines of the Department's 25, January 19, 6 p. m.⁴³

Please mail cipher text to Peiping and Chungking.

HULL

393.11B21 Tan, Marcel O./30 : Telegram

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

WASHINGTON, February 14, 1940—7 p. m.

64. Amoy's 7, February 9, noon,⁴⁴ Marcel O. Tan. It is suggested that, unless you perceive substantial objection, you make a further approach to the Foreign Office in this matter, in such manner as you may deem appropriate, pointing out to the Foreign Office the following considerations:

1. Tan was arrested by the authorities of the Municipal Council at Kulangsu upon a warrant countersigned by the Japanese Consul General⁴⁵ acting as Senior Consul some seven months following Japanese military occupation of Amoy.

2. As a result of investigation conducted in the Philippines it has been ascertained that under the laws of the United States and of the Philippine Commonwealth, Tan, the illegitimate son of a Philippine woman, is a citizen of the Philippines owing allegiance to the United States. As an American national he is entitled to the protection of this Government and is, while in China, under the extraterritorial jurisdiction of the United States to the same extent as any other American national. As no Chinese or other authorities in China, except an American authority, are legally competent to assume jurisdiction over a Philippine citizen, and as a Philippine citizen who may be taken into custody by local police in China should be immediately delivered to the nearest American authority, Tan should be released or handed over to the American Consul at Amoy for the consideration of any charges which may be preferred against him.

⁴³ For *pro memoria* left at the Japanese Foreign Office on January 31 by the Ambassador in Japan, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 674. For Japanese reply on March 6 and Ambassador Grew's further *pro memoria* of March 11, see *ibid.*, pp. 677 and 678.

⁴⁴ Not printed. For previous report on case of Marcel O. Tan, see telegram No. 74, July 13, 1939, 10 a. m., from the Consul at Amoy, *Foreign Relations, 1939*, vol. IV, p. 354.

⁴⁵ G. Uchida.

3. The charges against Tan, so far as the American Consul has been informed of them by the Japanese Consul General, appear in general to be vague and to be unsupported by evidence. One such charge, namely, that Tan had at one time applied for a license to practice medicine, is not a charge in any sense of the word and would seem to have no bearing on the matter even in regard to his citizenship status in as much as the practice of medicine in China is not restricted by Chinese law or by treaty to Chinese nationals. That the Japanese authorities at Amoy do not consider the charges against Tan as either serious or important is evidenced by the fact that the Japanese Vice Consul indicated about June 21, 1939, to the American Vice Consul ⁴⁶ that Tan's release would be granted provided the American Consul should use his influence with the Municipal Council in obtaining the Council's assent in full to certain Japanese proposals in regard to the administration of the International Settlement on Kulangsu. (Amoy's 57, June 21, 4 p. m.,⁴⁷ second numbered paragraph.) This offer was not, of course, accepted and instructions which were issued to the American Consul at Amoy to exert his influence toward a reasonable and appropriate settlement of the dispute between the Japanese authorities and the Municipal Council were so issued in the first instance in the belief that cooperation among the various authorities would lead to an adjustment of the dispute and were later renewed at the request of the Counselor of the Japanese Embassy in Washington irrespective of any question relating to Tan.

4. In the memorandum no. 84, American I, of the Japanese Foreign Office dated July 10, 1939,⁴⁸ it is stated as the Foreign Office's opinion that a settlement of this matter should be sought from the appropriate authorities in charge of the International Settlement or the Chinese authorities. As it is reported by the American Consul at Amoy that the Municipal Council will not release Tan to the American Consul without the approval of the Japanese Consul General (Amoy's 74, July 13, 10 a. m., last sentence first paragraph), presumably because the Japanese Consul General countersigned the warrant for his arrest, and as the Foreign Office's memorandum of July 10 above-mentioned indicates that the Japanese Consul General's action in countersigning the said warrant was undertaken by Mr. Uchida solely in his capacity as Senior Consul, it is requested, as a matter of right and comity, that the Japanese Government instruct the Japanese Consul General at Amoy, either upon request or reference by the American Consul or the Municipal Council or upon his own initiative, to withdraw his approval of the warrant which was given to that document

⁴⁶ Leland Charles Altaffer.

⁴⁷ *Foreign Relations*, 1939, vol. iv, p. 344.

⁴⁸ Not printed.

by his countersignature, so that there shall not any longer remain any obstacles, so far as the Japanese authorities are concerned, in the way of Tan's release and repatriation to the Philippines or his delivery to the American Consul for the hearing of any charges which may be brought against him.⁴⁹

Sent to Tokyo via Peiping. Repeated to Chungking and Amoy.

HULL

893.111/436 : Telegram

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

CHUNGKING, February 15, 1940—11 a. m.

[Received February 15—8:22 a. m.]

My December 22, 9 [10] a. m., travel in Honan.⁵⁰ In note dated February 5 the Ministry of Foreign Affairs quotes the military authorities as stating that the prohibition of foreign nationals from crossing the closed line in the Yellow River valley and the flooded area in Honan is a military requirement and to their regret refuse to permit relaxation of the general rule as asked by the Embassy by restricting the travel of American citizens only in particular when necessitated by special circumstances because an exception would be inconvenient and might render adequate protection difficult.

Embassy [at] Chungking has received no further protests from Honan following that mentioned in its telegram under reference and it seems possible conditions have improved at Chenghsien. Embassy will refrain from further representations until informed of necessity therefor.

Sent to Peiping, Hankow, Tientsin. True reading air mail Yunnanfu.

PECK

393.1163 C and M Alliance/78 : Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, March 1, 1940—8 a. m.

[Received March 1—6:25 a. m.]

20. Reference my 10, February 4, 5 p. m., and 18, February 23, 6 p. m.,⁵¹ burning of property at Lungchow. The French Consul at

⁴⁹ Marcel O. Tan was released on May 9 by the Kulangsu Municipal Council following a request of the Japanese Consul General at Amoy (telegrams Nos. 19 and 22, May 9 and 26, from the Consul at Amoy; 393.11B21Tan, Marcel O./41, 42).

⁵⁰ Telegram No. 656, *Foreign Relations*, 1939, vol. iv, p. 423.

⁵¹ Neither printed.

Lungchow has now informed French Consul here that the Chinese forces had evacuated Lungchow and environs more than 48 hours before the burning of the Christian and Missionary Alliance property on December 23, 1939.

Continuing representations are being made to Japanese Consul General.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

793.94/15725 : Telegram

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

SHANGHAI, March 4, 1940—2 p. m.

[Received March 4—4 a. m.]

Japanese Consulate General states that military operations are to be started on Hainan Island and that for the protection of lives and property, Americans are requested to evacuate by March 5 Nodoo to Tanhsien and other coastal towns. It is further stated that American citizens have already been appropriately advised by the Japanese officer in command on the spot. Assurances are given that every facility will be given Americans to return to their homes upon the termination of military operations.

Sent to Canton, repeated to the Department, Peiping, Chungking, and Hong Kong. To Tokyo by air mail.

GAUSS

793.94/15725 : Telegram

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

WASHINGTON, March 4, 1940—6 p. m.

95. Reference Shanghai's March 4, 2 p. m., to Canton, projected Japanese military operations on Hainan Island. While the attitude and position of this Government in regard to communications from the Japanese authorities such as that contained in your telegram under reference have been made abundantly clear on a number of occasions in the past, it is believed that you should reply to the Japanese Consul General to the effect that although American nationals generally have been and are advised voluntarily to withdraw from places of special danger to places of safety and to take other precautionary measures, obligation rests upon the Japanese military authorities, irrespective of whether American nationals do or do not take such precautionary measures, to avoid injuring American lives and property.

Sent to Shanghai. Repeated to Canton, Peiping, Hong Kong and Chungking. Peiping repeat to Tokyo.

HULL

393.1163 Am 3/490: Telegram

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

CHUNGKING, April 15, 1940—noon.

[Received April 15—6:07 a. m.]

180. My 178, April 14.⁵² Following received from Yukiang, Kiangsi, dated 14th.

"Our Catholic Mission at Linchwan bombed by Japanese planes April 13. Building housing refugees hit causing many casualties. Large American flag painted on church tin roof, white crosses on other buildings, signed Quinn" (presumably William C. Quinn, American citizen).

Repeated to Peiping, Shanghai, Hankow. By air mail to Kunming.

JOHNSON

393.1163 Am 3/490: Telegram

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

WASHINGTON, April 15, 1940—5 p. m.

115. Reference Chungking's 178, April 14, 9 a. m., 179, April 14, 10 a. m.,⁵³ 180, April 15, noon, in regard to bombing of properties at Linchwan and Chihkiang.

The Department assumes that, upon confirmation by Peiping of the American character of the properties under reference, you will make emphatic representations to the Japanese Foreign Office in regard to this recrudescence of the bombing of American properties.

Please report by telegraph.

Sent to Tokyo via Peiping. Repeated to Chungking, Shanghai and Hankow.

HULL

893.01/762: Telegram

The Consul General at Hankow (Spiker) to the Secretary of State

HANKOW, April 18, 1940—9 a. m.

[Received 10:55 a. m.]

Wang Ching Wei⁵⁴ arrived in Hankow yesterday and is due to depart today. In reply to questions from foreign press representatives, he declared that the closing of American mission schools by officials of the new régime and attempts to tax mission incomes and donations from the United States were not in accord with the policy of his Government. He stated that anti-American activities in Honan

⁵² Not printed.

⁵³ Neither printed.

⁵⁴ Deputy Leader of the Kuomintang (Nationalist Party) at Chungking until December, 1938, when he left for Japanese-occupied China; head of Japanese-sponsored regime at Nanking.

about which he professed ignorance were likewise contrary to the political program and manifesto issued on March 30. He declared that the rendition of extraterritoriality is a fundamental policy of his Government but that it is to be accomplished peacefully. After conclusion of Wang interview, Lin Pai Sheng, Minister [of] Publicity, was asked what Nanking's policy would be should Japan take positive steps southward as result of possible extension [of] European war to southeast Asia. Lin replied that as no formal suggestions concerning such an eventuality had been received from Tokyo he could not make a statement.

A high Japanese personage very closely guarded and rumored to be Prince Chichibu,⁵⁵ arrived in Hankow on April 15 to comfort Japanese troops. He departed before Wang's arrival.

Sent to Chungking, repeated to Peiping, Nanking, Shanghai.

SPIKER

893.046/2 : Telegram

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

WASHINGTON, April 20, 1940—2 p. m.

120. Peiping's despatch 2557, March 9,⁵⁶ Luther L. Loucks.

1. The Department desires that the Embassy at Tokyo make an approach to the Japanese Foreign Office, in such manner as it may deem appropriate, along lines as follows:

The Government of the United States is informed that the Mukden District Court on October 16, 1939, undertook to render judgment against property belonging to an American citizen, Mr. Luther L. Loucks. In view of the extraterritorial rights which nationals of the United States in Manchuria possess by virtue of treaties between the United States and China, persons having legal claim upon those nationals or upon their property should properly have recourse to the appropriate American court. This Government objects to any attempt on the part of the authorities in Manchuria to assert jurisdiction over American persons or their property and makes full reservation of the rights of the American national whose property is concerned in the case under reference.

2. The Department desires that the Embassy at Peiping instruct the American Consul at Mukden⁵⁷ to make an approach at Hsinking along similar lines.

Sent to Tokyo via Peiping. Repeated to Chungking.

HULL

⁵⁵ Younger brother of the Japanese Emperor.

⁵⁶ Not printed.

⁵⁷ William R. Langdon.

393.1163 Am 3/500: Telegram

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

Tokyo, April 23, 1940—4 p. m.
[Received April 23—5:30 a. m.]

277. Department's 115, April 15, 5 p. m., bombing of American properties at Linchwan and Chihkiang. Emphatic oral representations were made today to the Vice Minister for Foreign Affairs⁵⁸ with whom I left a signed note number 1527 dated April 22. After reciting the facts of the bombing at Chihkiang and referring to the other bombing at Linchwan which was the subject of our note number 1523 of April 19 the note stated:

"Pursuant to instructions from my Government I formally and most emphatically protest against this attack upon and destruction of the mission hospital and the consequent endangering of American lives . . .⁵⁹ and to point out with regard to these incidents the concern with which my Government views this recrudescence of bombing of American property in China. I cannot but emphasize the adverse effect that the continuance of such actions by the Japanese military must inevitably have on American public opinion and the seriousness of such contravention of the respect for American rights and property which the people and the Government of the United States justly expect from the agents of the Japanese Government, and of which the Japanese Government has given frequent assurances. I feel sure that Your Excellency's Government will desire to issue the most stringent instructions in order effectively to prevent the repetition of any further attacks upon the properties of American institutions."

The Vice Minister, in accordance with my request, promised to bring my representations to the attention of Mr. Arita and assured me that an investigation would immediately be made and that he would inform me of the result in due course. Tani made no effort to excuse or to minimize the gravity of the incidents.

Repeated to Peiping for Shanghai, Hankow and Chungking.

GREW

893.046/5

*The Consul at Mukden (Langdon) to the Ambassador in China
(Johnson)*⁶⁰

No. 442

MUKDEN, April 30, 1940.

SIR: I have the honor to refer to the Embassy's telegram of April 21, 10 A. M., 1940, quoting the Department's telegraphic instruction

⁵⁸ Masayuki Tani.

⁵⁹ Omission indicated in the original telegram.

⁶⁰ Copy transmitted to the Department by the First Secretary of Embassy in China at Peiping in despatch No. 2641, May 6; received June 14.

No. 120 of April 20, 2 P. M. directing that I make representations at Hsinking over the judgment rendered against Luther L. Loucks, an American citizen, by the Mukden District Court, and to enclose for the Embassy's records a copy of a memorandum⁶¹ left with Mr. Shigenori Tashiro, Vice Director of the Bureau of Foreign Affairs of the State Council of "Manchukuo", of the oral representations made to him in the case.

Mr. Tashiro listened to my statement and received the memorandum without comment. When I had finished, he called in an aide and inquired about recent precedents for court action against extraterritorial foreigners which he believed existed. Here I interrupted him to state that there existed no precedents in respect to American nationals. Mr. Tashiro then said he would look into the matter.

Very respectfully yours,

WM. R. LANGDON

493.11/2351: Telegram

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

PEIPING, May 18, 1940—noon.
[Received May 18—8:25 a. m.]

172. Following is a summary of losses and damages to American property arising out of Sino-Japanese hostilities based on most important recent reports received in this Embassy in response to its circular instruction [to] Consular officers number 121 of April 14, 1939.⁶¹

Inflicted by agents of China: direct \$329,594.57, indirect \$22,473.82; of Japan: direct \$2,616,688.58, indirect \$424,657.01; unknown: direct \$274,731.61, indirect \$446,370.64; total losses and damages: \$1,914,516.23 [4,114,516.23].

Above figures are in United States currency. Few cases where reports received were in other than United States currency, the arbitrary rates of 4 yen equals one United States dollar and one Chinese dollar equals United States cents 19. Latter rate suggested in the Department's 127, March 22, 1940 to Shanghai⁶² last paragraph for 1939 average in converting statistics expressed in yuan into United States currency.

Losses in Shanghai consular district represent 83 percent of total.

⁶¹ Not printed.

⁶² Not found in Department files.

It is believed that in a large percentage of cases of loss and damage to American property no estimate of pecuniary loss or damage has been submitted by the Americans concerned.

Repeated Chungking and Shanghai by air mail to Tokyo.

SMYTH

893.046/4 : Telegram

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

TOKYO, May 20, 1940—4 p. m.
[Received May 21—5: 11 a. m.]

354. Department's 120, April 20, 2 p. m., case of Luther Loucks. The following is substance portion of note dated May 15 from the Foreign Office in reply to my note dated April 30 along the lines indicated in the Department's telegram under reference :

"The present case is an affair entirely within the jurisdiction of the Government of Manchukuo and as such the Japanese Government can take no cognizance thereof. The Imperial Government desires to point out the fact that it is not in any position to receive representations with regard to questions of importance which fall within the jurisdiction of Manchukuo.

For the Embassy's information, according to the understanding of the Imperial Government, the Manchukuo Government considers that rights of extraterritoriality and other special rights, except in instances where those rights are preserved by virtue of a treaty concluded with Manchukuo, naturally ceased to exist when Manchukuo established its independence. It is believed that the views of the Government of Manchukuo have been made clear through frequent proclamations of that Government."

Repeated to Chungking, air mail text to Mukden.

GREW

793.94/15881 : Telegram

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

CHUNGKING, May 28, 1940—7 p. m.
[Received May 28—1: 22 p. m.]

232. The Japanese this morning for the first time in several months bombed portions of Chungking city proper, two squadrons of planes dropping bombs in various business and residential areas. It is estimated that civilian casualties will number several hundred. As far as the Embassy can ascertain, all Americans are safe. One bomb fell at an estimated distance of 400 yards from the U. S. S. *Truilla* while bombs fell in the vicinity of the installation of the Standard-Vacuum Oil Company.

Repeated to Peiping, Shanghai, Hankow. Shanghai please repeat to Tokyo.

JOHNSON

393.115 Standard Vacuum Oil Co./242: Telegram

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

CHUNGKING, June 1, 1940—9 a. m.

[Received June 1—1:40 a. m.]

234. Tokyo's 394, May 31, noon⁶³ through Shanghai and Shanghai's May 31, 7 p. m.⁶⁴ I find it a little difficult to understand Japanese attitude as there are other anti-aircraft batteries on hills around Chungking. I have today received the following letter from the local representative of the Standard-Vacuum Oil Company:

"In reference to your verbal inquiry as to the location of anti-aircraft guns in the vicinity of our Sukiapa installation we wish to inform you that our installation superintendent today advises us that to the best of his knowledge there is no anti-aircraft gun within a radius of approximately half a mile of this installation."

There is no Texas Company installation at Chungking.

I carefully observed Japanese bombers of May 28th and did not observe any [attempt?] on the part of those planes which flew over city to reach military objectives. Bombs dropped within city which is an open, undefended city 500 miles from any Japanese force that might occupy it. Casualties were civilians and my commentary is the same as that which I made in my 438, July 13, noon, of last year.⁶⁵ Anti-aircraft cannon cannot by any stretch of imagination be considered offensive weapons.

Repeated to Shanghai, Peiping. Shanghai repeat to Tokyo.

JOHNSON

393.115 Standard Vacuum Oil Co./243: Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, June 1, 1940—11 a. m.

[Received June 1—6:30 a. m.]

Following repeated at Chungking's request.

"May 31, 7 p. m. Tokyo's 394, May 31, noon.⁶³ Japanese Consul General now names Standard-Vacuum Oil and Texas installations at Wu Kweistone wharf [?] and states 'that the American firms be instructed to make the Chinese forces withdraw immediately from the place and that they be notified that in the event of their failure to do so the Japanese authorities cannot assume any responsibility for what

⁶³ Not printed.

⁶⁴ See telegram of June 1, 11 a. m., *infra*.

⁶⁵ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 661.

might unavoidably ensue from the operations of the Japanese forces at certain positions.

At all events it is urgently recommended that members of the American organizations take refuge at some other place of safety for the time being.' He asks me to take necessary measures and inform him of result. Standard and Texas here informed. I shall reply tomorrow that Embassy has been informed but that Japanese Government must be held responsible for damage to American lives and property. Butrick."

BUTRICK

393.115 Standard Vacuum Oil Co./244: Telegram

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

WASHINGTON, June 1, 1940—3 p. m.

174. Your 398, June 1, 7 p. m.⁶⁷ It is suggested that, in your discretion, you orally bring to the attention of the Foreign Minister the substance of Chungking's 234, June 1, 9 a. m., and that, in so doing, you reread to him the pertinent portions of Chungking's no. 438, July 13, noon, 1939.⁶⁸ (See Department's 202, July 15, 6 p. m., 1939.⁶⁹)

HULL

393.115 Standard Vacuum Oil Co./246: Telegram

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

CHUNGKING, June 2, 1940—10 a. m.

[Received June 2—2:05 a. m.]

236. My 234, June 1, 9 a. m. Information contained in a map of city of Chungking on which French Military Attaché plotted bombs dropped by two of three groups of Japanese planes on May 28 at 11:10 a. m., information which has been checked by members of staff of this Embassy, throws somewhat sinister light on Japanese raid, as all bombs dropped, with exception of two or three, landed in areas immediately in neighborhood of French and Soviet Embassies. Only miracle saved both Embassies. Third flight which came almost directly over this Embassy dropped bombs short on other side of city of Chialing. Map being forwarded to Department.

Repeated to Shanghai, Peiping; Shanghai please repeat to Tokyo.

JOHNSON

⁶⁷ Not printed.

⁶⁸ *Foreign Relations*, Japan, 1931-1941, vol. I, p. 661.

⁶⁹ *Ibid.*, p. 662.

393.115 Standard Vacuum Oil Co./251 : Telegram

*The Consul at Shanghai (Butrick) to the Secretary of State*SHANGHAI, June 6, 1940—4 p. m.
[Received 4 : 50 p. m.]

Reference your 234, June 1, 9 a. m. The Shanghai office of the Texas Company (China), Limited, has informed me that its Chungking property consists of a two story brick building at Lungmenhao on the southwesterly bank of the Yangtze and that its Chungking office is located at number 46/47 New Building, Kinkiakow.

The local Japanese Consul General has been informed of the above and of the statement in your telegram to the effect that there are no anti-aircraft guns near the Standard-Vacuum Oil Company's installation. He has been requested to take all precautions with a view to preventing interference with or damage to American lives and property. Sent to Chungking. Repeated to Peiping and Tokyo.

BUTRICK

793.94/15927 : Telegram

*The Consul General at Hankow (Spiker) to the Secretary of State*HANKOW, June 10, 1940—11 a. m.
[Received 1 : 25 p. m.]

Representatives of the Japanese Army and Japanese Consulate General here called on an officer of this Consulate General at midnight Japanese time and stated that reconnaissance by Japanese planes showed concentration of Chinese military activity in immediate vicinity of third power vessels and properties at Ichang; that Japanese military authorities accordingly planned to bomb Ichang "sometime after midnight" and that they desired that American vessels and citizens at Ichang remove from that city to some safer place.

In reply the Japanese were informed that their last minute request concerning military operations which might start at any minute in Ichang was most surprising; that they had been fully informed as to the location of American properties afloat and ashore in Ichang and that as previously notified to them the last time on June 7 they would be expected to take every precaution to safeguard American lives and property wherever located. I have confirmed in writing such advices given by Vice Consul Davies and have made full reservations in respect to any harm suffered by American citizens or their properties.

American missions at Ichang have been requested to report result of bombing as affecting American lives and property.

Reports received from American sources in Ichang on June 7 show that city has been in state of alarm for some days in expectation of Japanese military operations and that all normal means of communication were cut as from the afternoon of June 7. On receipt such advices this office made immediate representations to the Japanese Consulate General looking to the protection of American interest.

Sent to Chungking, Peiping, Shanghai.

SPIKER

793.94/15931: Telegram

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

CHUNGKING, June 11, 1940—8 p. m.

[Received June 11—12: 16 p. m.]

255. Four groups numbering more than 100 Japanese planes today heavily bombed Chungking and environs, including Kiangpei and the western suburbs. Considering the intensity of the attack it would appear that property damage largely restricted to the business and residential areas was not extensive. The number of casualties is not known but it would appear that thanks to the efficiently operated dugout system the figure was not high. The structure housing the Russian Embassy was shattered and damaged by bombs falling immediately adjacent to it but there were no casualties. The first squadron of planes flew directly over the American Embassy premises and the American gunboat and one bomb fell on open ground about 300 yards from the Embassy.

A preliminary investigation indicates that American nationals and their properties escaped injury during the raids.

Repeated to Peiping, Shanghai, Hankow. Shanghai please mail to Tokyo.

JOHNSON

793.94/15935: Telegram

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

CHUNGKING, June 12, 1940—9 p. m.

[Received June 12—7: 32 p. m.]

257. Four groups comprising about 110 Japanese planes today intensively and indiscriminately bombed Chungking, concentrating their main attacks on the lower main business section of the city. Casualties among the civil populace probably will number several hundred. Property damage largely confined to commercial and residential structures appears to be the heaviest sustained in attacks on Chungking since the raid of May 4, 1939. All American nationals are believed to be safe. Various buildings of the American Methodist

Mission including a church sustained damage from the concussion of nearby bombs, a detailed report of which will be submitted later.⁷⁰ Although two groups of Japanese bombers flew almost directly over the American Embassy premises, no bombs fell in the immediate vicinity thereof.

Repeated to Peiping, Hankow, Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

793.94/15959

President Roosevelt to the Secretary of State

WASHINGTON, June 13, 1940.

In view of this apparently indiscriminate bombing of Chungking without reference to military objectives, should we call it to the attention of the Japanese Government?

F[RANKLIN] D. R[OSEVELT]

793.94/15959

The Secretary of State to President Roosevelt

WASHINGTON, June 13, 1940.

Before your memorandum of June 13 in regard to the apparently indiscriminate bombing of Chungking was brought to my attention, I issued to the press a statement on this subject,⁷¹ a copy of which is enclosed for convenience of reference. In the light of your memorandum, I am also telegraphing Ambassador Grew at Tokyo⁷² to bring that statement to the personal attention of the Japanese Minister for Foreign Affairs.

CORDELL HULL

793.94/15938 : Telegram

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

CHUNGKING, June 13, 1940—10 p. m.

[Received June 13—3:30 p. m.]

259. Incredible as it may be I am forced to conviction by what I have observed during the past few days that General Itagaki⁷³ has

⁷⁰ Not printed.

⁷¹ *Foreign Relations*, Japan, 1931-1941, vol. I, p. 690.

⁷² Telegram No. 197, June 13, 5 p. m., not printed.

⁷³ Gen. Seishiro Itagaki, Chief of Staff to Japanese military Commander in Chief in China; Minister of War, 1938-39.

embarked upon an effort to demolish city of Chungking by using light and heavy demolition bombs indiscriminately scattered throughout business and residential areas. I saw yesterday a cartoon roughly done in color and said to have been dropped from Japanese planes showing in upper half Chungking in flames with bombs falling and streets strewn with dead men and women and lower half showing what purported to be Nanking, a city in peace and light.

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

JOHNSON

793.94/15940 : Telegram

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

WASHINGTON, June 14, 1940—7 p. m.

202. Your 450, June 14, 7 p. m.⁷⁴

1. Please call immediately on the Minister for Foreign Affairs and hand to him a formal note with language in effect as follows:⁷⁵

Mr. Arita's note was translated and brought to your attention after your meeting with him the afternoon of June 14 and it is of course obvious that it was prepared prior to the representations in regard to the indiscriminate bombing of Chungking which you made to him at that time. The attitude and position of the Government of the United States in regard to warnings such as that conveyed in Mr. Arita's note have been made clear on several occasions to the Japanese Government. The Government of the United States cannot accept the view that the city of Chungking in general is a legitimate target for air attack.

There are a considerable number of American citizens at Chungking and there is American property at Chungking. The Government of the United States maintains there an office of its Embassy to China and a gunboat, the U. S. S. *Tutuila*. The American citizens at Chungking are there pursuing legitimate activities. The American officials stationed at Chungking, including the American Ambassador to China, are there pursuant to their official duties in maintaining the diplomatic relations of the United States with China. Notwithstanding the fact that Mr. Arita's note indicates that the Japanese Government does not intend to attack certain areas on the south bank of the Yangtze River in which areas the American Embassy is situated, experience of Japanese bombing operations has amply demonstrated the fact that when any extensive area is subjected to attack there results serious hazard to the lives of all persons in the vicinity, with

⁷⁴ Not printed; it quoted the note of June 14 from the Japanese Minister for Foreign Affairs, printed in *Foreign Relations, Japan, 1931-1941*, vol. I, p. 691.

⁷⁵ For note delivered by Ambassador Grew on June 15 pursuant to this instruction, see *ibid.*, p. 693.

oftentimes injury to many persons. While American officials have consistently advised and will continue to advise American nationals to withdraw from areas in which special danger exists, such American nationals are under no obligation to do so and in some cases find withdrawal impossible. Accordingly, this Government looks to the Japanese Government to avoid any military operations which would imperil the safety of American nationals and property at Chungking and will expect to hold the Japanese Government responsible for any injury or loss to American nationals occasioned by acts of Japanese armed forces.

2. It is suggested that you supplement the note with oral representations and that, in the course of those representations, you bring to Mr. Arita's attention the obvious fact that the injuring or killing of American nationals by Japanese bombing operations will have a deplorable effect on relations between the United States and Japan.

HULL

393.1163/980 : Telegram

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

CHUNGKING, June 15, 1940—noon.

[Received June 15—6:55 a. m.]

262. An urgent letter has been received from the American Baptist Mission at Suifu stating that the local Chinese police department has officially requested that no American flags be displayed during air alarms. Oral explanation given by the authorities is that the city has taken great pains to darken walls and otherwise obliterate all distinctive markings; and that flags known by the Japanese to be on property whose location is likewise known to them permits them to direct attack on other objectives. Letter states that similar requests have been addressed to residents of other nationalities and asks for our instructions or advice.

This query presents a problem in which relations between American residents and local Chinese authorities and population are an important factor. If the Department approves, I am inclined to reply that if the Chinese could suppress all markings as on hospitals the individual American citizens concerned must decide for themselves whether their relations with the Chinese surrounding them render it advisable to accede to the request that no flag be displayed. I should appreciate the Department's comments.

Repeated to Peiping.

JOHNSON

793.94/15948 : Telegram

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

CHUNGKING, June 15, 1940—2 p. m.

[Received June 15—2 p. m.]

264. Reference Embassy's 257, June 12, 9 p. m., Japanese bombing of Chungking on June 12. The Embassy has been informed by letter of the following American property losses and damages in consequence of the raid in question:

1. Methodist Episcopal Mission, (a) Two missionary residences sustained damages estimated at 200 dollars United States currency; (b) Methodist Union Hospital sustained damages estimated at 500 dollars United States currency; (c) Church A [at?] Daijiahang and pastorate sustained damages estimated at 100 dollars United States currency; (d) Lewis Memorial Institutional Church sustained damages estimated at 100 dollars United States currency; and (e) Su Teh Girls School sustained damages estimated at 100 dollars United States currency.

2. The Chungking Ice Company, Inc., (a) repairs of roofs of godown factory and office building estimated at 1,141 dollars and 80 cents Chinese currency; (b) broken equipment, et cetera, losses sustained estimated at 1,200 dollars Chinese currency.

A church building and a residence owned by the Seventh Day Adventist Mission were demolished in the course of the raid but an estimate of losses and damages has not been received.

Repeated to Peiping, Hankow, Shanghai. Shanghai please repeat to Tokyo. Copy by air mail to Yunnanfu.

JOHNSON

793.94/15959a : Telegram

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

WASHINGTON, June 15, 1940—6 p. m.

207. In reply to an inquiry at the press conference on June 14 as to whether you had been instructed to lodge a protest with the Japanese Foreign Office over the recent bombings of Chungking, the Secretary said that we have definite standing instructions to all of our representatives to implement our policies whenever in their judgment the situation warrants or suggests it. In reply to a further question as to whether a copy of the Secretary's statement of June 13⁷⁶ had been sent to you, the Secretary answered in the affirma-

⁷⁶ See press release issued by the Department of State on June 13, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 690.

tive. In answer to a still further question as to whether this copy had been accompanied by instructions, the Secretary repeated that there were standing instructions to cover this kind of incident.

HULL

793.94/15953: Telegram

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

CHUNGKING, June 17, 1940—noon.

[Received June 17—6 a. m.]

267. The Japanese yesterday again violently and indiscriminately bombed the lower and central business and residential areas of Chungking, utilizing for this purpose about 113 planes flying in 4 separate groups. Both incendiary and demolition bombs, some of very heavy caliber, were dropped causing several fires and extensive property damage. As in previous raids, property damage was confined largely to privately owned structures. Civilian casualties are estimated to number from one to two hundred persons. At least one bomb fell within the areas which the Japanese said they did not intend to attack in the note addressed to Ambassador Grew (Tokyo's 450, June 14, 7 p. m., to the Department ⁷⁷), numerous bombs fell within 1,000 yards of the American gunboat but none closer than 300 yards (all Americans are believed to be safe). The school building and a residence of the Su Teh Girls School of the Methodist Episcopal Mission were damaged during the raid but an estimate of losses is not yet available. It will be recalled that this property was damaged in a Japanese raid conducted on January 15, 1939, (Embassy's 27, January 15, 7 p. m., 1939 ⁷⁸).

Repeated to Peiping, Hankow and Shanghai. Shanghai please repeat to Tokyo. Air mail copy to Yunnanfu.

JOHNSON

393.11/2147a: Telegram

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

WASHINGTON, June 17, 1940—6 p. m.

96. Your 265, June 16, noon.⁷⁸ The Department desires that you communicate to American citizens the information contained in the Japanese notification under reference and that you advise the Ameri-

⁷⁷ Not printed; it quoted the note of June 14, from the Japanese Minister for Foreign Affairs, printed in *Foreign Relations, Japan, 1931-1941*, vol. I, p. 691.

⁷⁸ Not printed.

can citizens concerned in accordance with the penultimate sentence of paragraph numbered 1 of the Department's 202, June 14, 7 p. m., to Tokyo (94, June 14, 7 p. m., to Chungking⁸⁰).

HULL

393.11/2148a : Telegram

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

WASHINGTON, June 18, 1940—6 p. m.

210. At the press conference on June 18, in response to request for confirmation of report that the Japanese military authorities had asked Americans to leave Chungking, the Secretary said that he had nothing more in substance than what he said recently (see Department's telegram no. 206, June 15, 5 p. m.⁸¹) concerning what often happens when military forces are advancing, that is, to send out notice to the general public located in the area through which the military forces are advancing and the public exercises its judgment as to what it does. The Secretary said also that we notify Americans located in such places of possible danger. The Secretary added that naturally the provisions of international law which hold any person or collection of persons operating in the military area responsible for injuries apply in any case.

HULL

793.94/15960 : Telegram

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

TOKYO, June 18, 1940—8 p. m.

[Received June 18—9 : 14 a. m.]

463. Our 452, June 15, 6 p. m.⁸² We have been informed by an American correspondent that the Foreign Office has already given to the press an announcement concerning the reply to our representations made on June 15 as reported in our telegram under reference concerning the bombing of Chungking. Following is our translation of the Foreign Office note which was received late this afternoon :

[Here follows text of Japanese note No. 121, June 18, printed in *Foreign Relations, Japan, 1931-1941*, volume I, page 694.]

Repeated to Shanghai. Shanghai please repeat to Chungking, Peiping.

GREW

⁸⁰ Letter not printed.

⁸¹ Not printed.

⁸² This telegram reported the Ambassador's representations; see his memorandum of June 15, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 692.

393.11/2148 : Telegram

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

CHUNGKING, June 19, 1940—9 a. m.

[Received June 19—5:18 a. m.]

270. Department's telegram 96, June 17, 6 p. m. All Americans who have had contact with Embassy have been orally informed of information contained in Japanese notification. Insofar as Embassy is informed Americans have found living places on south bank. Those that remain presumably have business in the city which they cannot desert and have access to dugouts. Embassy is investigating their number. I hesitate to notify all Americans formally or publicly of Japanese statement lest it be interpreted locally as a public abandonment of our position. Americans, especially newspaper correspondents, with whom we have talked approve this action. The terms of the Japanese warning have been so extensively published that no American has been ignorant of the situation. Unless specifically instructed to act otherwise I propose to let matter stand, informing any American who may apply for information of the facts as instructed by the Department and offering shelter here to those that may desire it.

JOHNSON

393.1163/980 : Telegram

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

WASHINGTON, June 19, 1940—4 p. m.

101. Your 262, June 15, noon. Action proposed by you in second paragraph of your telegram under reference approved. The Department suggests, however, that you point out to the Americans concerned that affirmative decision on their part in the sense of your proposed reply might affect adversely the possibility of reimbursement for losses sustained.

Sent to Chungking. Repeated to Peiping.

HULL

393.115 Standard Vacuum Oil Co./256 : Telegram

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

CHUNGKING, June 24, 1940—noon.

[Received 1:33 p. m.]

293. The local representative of the Standard-Vacuum Oil Company has today received the following telegraphic message dated June 23 from the Ichang Office of the firm:

"*Meilu* and pontoon bombed today by Chinese planes. Many killed. Heavy damage. Water supply pump burned out. Please protest."

The Embassy is today transmitting a formal note to the Foreign Minister⁸³ protesting the alleged attack, requesting an investigation, reserving all rights, and asking that steps be taken to prevent repetition of attacks on American properties in Ichang.

The *Meilu*, small river vessel owned and operated by the American company, has been tied up at Ichang for some time. The local representative assumes that those killed include Chinese residents of whom there were reported to be 2500 in the installation and on vessels of the Standard-Vacuum Oil Company as late at June 19.

Sent to the Department. Repeated to Peiping, Hankow, Shanghai.

JOHNSON

793.94/15983 : Telegram

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

CHUNGKING, June 24, 1940—7 p. m.

[Received June 24—12:45 p. m.]

294. Two groups numbering about 62 Japanese planes this afternoon bombed the central business and residential district of Chungking as well as the northern suburb Kiangpeh. Civilian casualties probably will number about 50 persons. Property damage, once again largely private in character, does not appear to be extensive though demolition and incendiary bombs were dropped over a wide area. Three bombs fell in the compound of the British Embassy damaging the office building and residences but there were no casualties.

All Americans appear to be safe. So far as is known, damage to American-owned property appears to have been limited to the partial destruction of a compound wall of the Lewis Memorial Institutional Church of the American Methodist Mission.⁸⁴

Sent to the Department. Repeated to Peiping, Hankow, Shanghai. Shanghai please relay to Tokyo.

JOHNSON

⁸³ Wang Chung-hui.

⁸⁴ For subsequent destruction of this property, see note No. 1630, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, September 13, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 695.

793.94/16001 : Telegram

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

WASHINGTON, June 29, 1940—6 p. m.

233. Chungking's 300, June 26, 8 p. m., and 302, June 27, 4 p. m., bombing of Chungking and 303, June 28, 7 p. m.⁸⁵ The Department authorizes you, in your discretion and as occasion and appropriate opportunity therefor occur, to continue to bring to the attention of appropriate officers of the Japanese Foreign Office this Government's attitude as repeatedly expressed, both upon broad humanitarian grounds and upon the ground of danger to American life and property, toward bombings of civilian populations such as those reported in the telegrams under reference.

Sent to Tokyo via Peiping. Repeated to Chungking and Tokyo.

HULL

793.94/16000 : Telegram

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

CHUNGKING, July 1, 1940—9 a. m.

[Received 10:25 a. m.]

309. Department's 233, June 29, 6 p. m. to Tokyo. If further proof were needed of the terroristic object of the recent bombing attacks on Chungking (11 raids from June 9 to 29), it would be supplied by a crudely colored leaflet dropped from bombing planes over Chungking on June 29. This depicts bombs raining down, dwellings in flames, bodies dismembered and all classes of the population fleeing. An inscription states, "Living all day in the midst of air alarms leading an existence not even human." Another scene depicts a farmer ploughing in a fertile countryside and bears an inscription "Living peacefully earning living with joy."

Sent to the Department. Repeated to Peiping, Shanghai. Latter repeat to Tokyo.

JOHNSON

393.115 Standard Vacuum Oil Co./257 : Telegram

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

CHUNGKING, July 1, 1940—11 a. m.

[Received 11:24 a. m.]

310. My 293, June 24, noon. Standard-Vacuum Oil Company has received a telegram from its Ichang office dated June 30 stating in

⁸⁵ None printed.

brief that its installation was hit by nine Chinese shells on the 29th and that Chinese planes again dropped bombs near the installation on June 30th causing damage. Earlier attack killed 19 and wounded 30 persons on or near property including relatives of Chinese crews. The telegram asked that the Chinese Government be informed that no Japanese were close to the installation. I have addressed a second note to the Chinese Minister for Foreign Affairs transmitting this assertion as well as additional information now received concerning damage, protesting against this inexplicable continued attack on American property and insisting that all possible measures be taken to cause it to cease.⁸⁶

Sent to the Department. Repeated to Peiping, Hankow, Shanghai.

JOHNSON

793.94/16003 : Telegram

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

CHUNGKING, July 3, 1940—4 p. m.

[Received July 3—9:43 a. m.]

Following is Embassy's translation of a note received from the Foreign Ministry dated July 2:

"The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to state that it has received a telegram from the Military Affairs Commission to the effect that the river below Ichang has been closed and that it is a dangerous area. The Commission requested that the various foreign missions be asked to instruct the naval and commercial vessels under their respective jurisdiction to take note.

The Ministry has the honor to indite this third person note for the Embassy's information."

Shanghai and Hankow please inform concerned American naval officials and organizations.

Sent to Shanghai and Hankow. Repeated to the Department and Peiping.

JOHNSON

⁸⁶ In a note of July 5 (transmitted to the Department by the Ambassador in China in despatch No. 585, July 9), the Chinese Minister for Foreign Affairs expressed the regrets of the Chinese Government (393.115 Standard Vacuum Oil Co./267).

793.94/16088

Memorandum by the Adviser on Political Relations (Hornbeck) ⁸⁷

[WASHINGTON,] July 9, 1940.

In a letter from Nelson Johnson dated Chungking, June 18, I find a paragraph as follows:

"This thing that we are compelled to witness here in Chungking is beyond all description in its brutality. These daily visits of a hundred or more bombers swinging back and forth over a city of helpless people who cower for hours in dug outs where many are overcome just by the bad air, accompanied by the general migration into the country up over the hills, old and young, mothers carrying babies under the hot sun, up, up, the hills, resting by the way side. Last night the ferries worked till nearly midnight carrying them back across the river."

Mr. Johnson concludes his letter with the statement:

"Of course I do not intend to go away from Chungking while this particular crisis is on."⁸⁸

S[TANLEY] K. H[ORNBECK]

793.94/16040: Telegram

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

Tokyo, July 11, 1940—noon.

[Received 8:11 p. m.]

566. Department's 233, June 29, 6 p. m. In the course of my conversation today with the Minister for Foreign Affairs,⁸⁹ I once again drew his attention to the attitude of our Government towards bombings of civilian populations and read and left with him a copy of the substantive part of Chungking's 309, July 1, 10 a. m. At the same time I orally set forth with emphasis the significance of the statement in that telegram. Mr. Arita as usual replied that the Japanese aviators seek to bomb only military objectives.

Sent to the Department via Peiping. Peiping please repeat to Chungking.

[GREW]

⁸⁷ Noted by the Secretary and the Under Secretary of State.

⁸⁸ Telegrams and despatches (not printed) relay many details regarding the Chungking bombings.

⁸⁹ See memorandum by the Ambassador in Japan, July 11, *Foreign Relations*, Japan, 1931-1941, vol. II, p. 94.

394.112/143 : Telegram

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

Tokyo, July 12, 1940—11 a. m.

[Received 1:15 p. m.]

567. Reference Chefoo's July 5, 3 p. m. to Peiping.⁹⁰ I have today lodged a strong protest with the Foreign Minister regarding the outrageous incident involving trespass by two armed and uniformed Japanese on the American Presbyterian Mission at Chefoo and attacks by them on American citizens therein.⁹¹

Sent to Shanghai. Shanghai please repeat to Peiping, Chungking and Chefoo.

GREW

398.115 Standard Vacuum Oil Co./270

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

No. 593

CHUNGKING, July 13, 1940.

[Received August 1.]

SIR: With reference to my despatch no. 585 of July 9, 1940,⁹² in regard to various alleged attacks by Chinese armed forces on certain installation properties of the Standard-Vacuum Oil Company at Ichang, Hupeh, on June 29, June 30, and July 1, 1940, I have now the honor to enclose a copy in translation of a note dated July 9, 1940, received from the Minister for Foreign Affairs,⁹⁰ stating that the Chinese Air Force made no flights on June 30 (whereas a wireless communication received by the Standard-Vacuum Oil Company from its Ichang representative stated that on June 30 "Chinese planes . . ."⁹³ bombed just outside installation, causing damage") and asserting that if the American Company really suffered losses on June 30 "they should not have been due to mistaken bombing by the Chinese Air Force."

The Embassy has communicated a copy of the Foreign Minister's note under reference to the local representative of the Standard-Vacuum Oil Company, has asked that an endeavor be made to establish the facts concerning the alleged bombing of June 30 and has requested that the findings, together with such comment as the Com-

⁹⁰ Not printed.

⁹¹ The Ambassador in Japan in his telegram No. 931, October 2, 9 p. m., reported the Japanese Foreign Office reply which defended Japanese action and requested American nationals in China to "take a self-restraining attitude in order to avoid the occurrence of similar incidents in the future." (394.112/156.)

⁹² Not printed, but see footnote 86, p. 886.

⁹³ Omission indicated in the original despatch.

pany may wish to offer, be sent to the Embassy for transmission to the appropriate Chinese authorities.

Respectfully yours,

NELSON TRUSLER JOHNSON

303.1124/6 : Telegram

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

NANKING, July 16, 1940—6 p. m.

[Received July 16—3:29 p. m.]

73. With reference to the order issued by Wang Ching Wei regarding the deportation of a number of foreign publishers and journalists, the majority of whom are American,⁹⁴ the following information has been received informally from a responsible official of the Wang régime: Wang has been increasingly annoyed by the biting criticism directed against him by certain foreign journalists and Chinese papers claiming foreign status in Shanghai. His efforts to win them over having failed, he decided to take action. The informant stated that this decision, which he intimated was not approved by some officials of the Ministry of Foreign Affairs, was made by Wang himself and was not dictated by the Japanese. He sought to make clear that this action does not indicate an anti-American attitude on the part of the "National Government" but is directed solely against the persons named who are regarded by Wang as being hostile to him and his régime. The informant added that if these persons or their publications cease attacking Wang the whole matter will be dropped.

While it may be that Wang's order is not connected with the anti-American agitation which appeared following the recent Japanese gendarme incident at Shanghai,⁹⁵ its issuance at this particular time appears to be more than a coincidence. In this connection it may be mentioned that the Nanking edition of the *Tairiku Shimpo* has adopted an anti-American tone during the past few days and further attaches prominence to small meeting of Japanese residents held in Nanking yesterday at which Japanese Y. M. C. A. workers denounced the United States and urged that Americans be driven from "our East Asia."

Sent to the Department, repeated to Chungking and Peiping, by mail to Tokyo and Shanghai.

STANTON

⁹⁴ The Americans were N. F. Allman, J. B. Powell, C. V. Starr, Randall Gould, H. P. Mills, and C. D. Alcott.

⁹⁵ On July 7; see bracketed note, p. 752.

811.30 Asiatic Fleet/861 : Telegram

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

WASHINGTON, July 16, 1940—6 p. m.

271. Reference Chungking's July 6, 7 p. m. to Shanghai⁹⁷ (which was assumably communicated to you) in regard to a request by the Japanese naval authorities that the U. S. S. *Tutuila* at Chungking be moved from the vessel's present position.

The Department has received information from the Navy Department to the effect that, on the basis of Ambassador Johnson's opinion as expressed in the telegram under reference, and in the light of the various circumstances, Admiral Hart intends to keep the *Tutuila* at its present position which is within a hundred yards of the Embassy office. If you have not already done so, it is suggested that you bring this matter to the attention of the Japanese Foreign Minister, pointing out that, as stated by Ambassador Johnson, the *Tutuila* is not close to military objectives of any kind, and that it is not practicable to move the vessel. Express the confident expectation of this Government that the Japanese Government will issue to the appropriate military and naval authorities, including air force officers, sufficiently strict and effective instructions to ensure that the Embassy office and the *Tutuila* will not in future be endangered or threatened in any way by Japanese aerial operations.⁹⁸

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.

HULL

393.1124/8 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, July 20, 1940—5 p. m.

[Received 5:45 p. m.]

669. Deportation requests. My 643, July 16, noon, and 642, July 16, 11 a. m.⁹⁹ I requested Shanghai Municipal Police to afford special protection to the Americans.

I have now received a letter dated July 18th from "Mayor Fu"¹ quoting a telegram received by him from "President Wang of the

⁹⁷ Not printed.

⁹⁸ The Ambassador in Japan in his telegram No. 601, July 19, 5 p. m., reported carrying out this instruction (811.30 Asiatic Fleet/865).

⁹⁹ Neither printed, but see telegram No. 73, July 16, 6 p. m., from the First Secretary of Embassy in China, p. 889.

¹ Fu Siao-en, Japanese-sponsored mayor of the Shanghai City Government.

Executive Yuan of the National Government" along the line previously reported. Fu states that these Americans have "since the outbreak of the incident been in collusion with rebels" and "have taken actions to destroy peace, endanger the security of the Republic and overthrow the National Government." Fu then requests me promptly to instruct the Americans "to comply and leave Shanghai in the shortest possible period without fail and refrain from loitering."

Unless the Department instructs otherwise I shall file the letter without reply. It does offer an opportunity, however, to indicate to my Japanese colleague that he may inform these regimes that orderly processes exist to any and all persons having complaints against Americans to prosecute them in the legally constituted United States Court for China.

Sent to Department. Repeated to Peiping, Chungking.

BUTRICK

898.1163 Am 3/527

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

No. 4867

TOKYO, July 23, 1940.

[Received August 30.]

SIR: With reference to the Embassy's despatch No. 4740 dated June 3, 1940, transmitting a translation of a *note verbale* No. 106, American I, under date of May 24, 1940, from the Japanese Foreign Office² replying to the Embassy's representations regarding the bombing of the American Catholic Mission at Linchwan, Kiangsi Province, as a result of Japanese aerial bombardment on April 13, 1940,^{2a} I have the honor to transmit herewith a copy of the Embassy's note No. 1590 dated July 23, 1940, addressed to the Foreign Office³ on this subject. It will be observed that the note communicates additional data regarding this inexcusable attack upon American property, and points out the failure of the Japanese authorities in their report concerning the investigation of the bombing attack to mention that the mission church, the most conspicuous object in Linchwan, bore a large American flag on the roof, which the attacking aviators could not have failed to observe in view of the fair weather which prevailed.

Respectfully yours,

JOSEPH C. GREW

² Not printed.

^{2a} See telegram No. 277, April 23, 4 p. m., from the Ambassador in Japan, p. 870.

³ Not printed.

393.1163 Am 33/257 : Telegram

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

PEIPING, August 2, 1940—3 p. m.
[Received August 3—4:25 p. m.]

262. Canton's July 30, 4 p. m. to Peiping repeated to the Department,⁴ interference with Southern Baptist Mission hospital.

The Embassy respectfully recommends that representations be made in Tokyo.⁵

This unwarranted and petty interference with an American mission hospital on the specious pretext of "military necessity" appears to be another instance of the present provocative attitude of the Japanese military towards Americans in China mentioned in Peiping's 253, July 25, 6 p. m.⁴

Sent to the Department. Repeated to Chungking, Canton, Tokyo.
SMYTH

393.11/2149a : Telegram

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

WASHINGTON, August 6, 1940—6 p. m.

134. In view of current developments in the situation in French Indochina⁶ and the uncertainties in regard to, *inter alia*, passenger transportation facilities from Chungking and Yunnanfu to places outside of southwestern China and Indochina, the Department is considering whether American women and children, including the wives and dependents of Foreign Service officers, should withdraw from those two places and their vicinities to places of greater security. You will, of course, realize that among the considerations which the Department has in mind is the possibility that the air services which are now available for passenger travel from Chungking and Yunnanfu may be interrupted or seriously endangered and that in general transportation facilities may become restricted to the Burma road under conditions which might make that route hazardous and uncertain if not at times impassable.

The Department desires to receive the benefit of your comments.

Sent to Chungking. Repeated to Peiping.

WELLES

⁴ Not printed.

⁵ The Department in its telegram No. 289, August 1, 7 p. m., instructed the Embassy in Japan accordingly, and the Ambassador in Japan in his telegram No. 703, August 16, noon, reported on action taken (393.1163 Am 33/253, 260).

⁶ See pp. 1 ff.

393.11/2150 : Telegram

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

CHUNGKING, August 8, 1940—noon.

[Received August 8—11: 50 a. m.]

388. Reference Department's 134, August 6, 6 p. m. in regard to question of withdrawal of American women and children from Yunnanfu and Chungking and vicinity.

The Embassy here has continued at all times to adhere to the attitude that Americans in regions where hostilities were likely to occur or where communication facilities might be interrupted should, where practicable, evacuate to places of safety, particularly women and children and men who could depart without great inconvenience. Written advice to that effect was last tendered to Americans by the Embassy and the Consulate at Yunnanfu in November 1938 (see Embassy's telegram No. [541] November 14, 11 a. m., 1938⁷), and since that time the same advice has been tendered orally and in writing when sought by American citizens. However, very few Americans have followed Embassy or Consular advice to withdraw from western China; in fact, it is believed that there is at this time a larger American population in the provinces of Szechuan and Yunnan than was the case at the outbreak of hostilities. Yunnanfu's despatch No. 38 of February 29, 1940,⁸ is believed to contain a fairly accurate list of Americans now residing in the western provinces of China. Practically all Americans here are following regular occupations: the men are engaged in missionary, commercial or governmental work, while the women are here with their husbands or are working as missionaries or otherwise. It would appear from a check up of the Embassy records that the number of American women and children at present in the three chief centers of American activity in west China is as follows: Chungking: women 27; children 5. Yunnanfu: women 15; children 18. Chengtu: women 40; children 17. The large majority of the women and children at Chengtu are now at Mt. Omei near Kiating for the summer. There are in addition many American women and children scattered throughout the unoccupied provinces of Central and West China.

Although most Americans in West China are believed to be cognizant of recent developments including restrictions in the matter of transport by the way of Indochina and Burma and of the possibility of being marooned in West China, the Embassy has not perceived any disposition on the part of American nationals to withdraw as a

⁷ *Foreign Relations*, 1938, vol. iv, p. 534.

⁸ Not printed.

result thereof. The Embassy is of the opinion that an official suggestion looking to withdrawal at this time would meet with very little, if any, response from American nationals. Most of them are here for a definite purpose, are aware of the danger of bombing and isolation, and are prepared to face these difficulties.

Apart from the conviction that another circular advising withdrawal would meet with little success and would likely result in undesirable speculation on the part of Americans, other third power nationals and the Chinese there appears to be no adequate means that could be utilized at present for the evacuation of Americans: air passage to Hong Kong is now booked 3 weeks in advance, bus service is irregular and inadequate and few Americans have private vehicles or the fuel to operate them. In case of serious emergency it is possible that the three United States Navy trucks could be utilized to evacuate Americans but it is thought that few, if any, would wish to avail themselves of that sort of transportation under present conditions.

In view of the foregoing considerations it is believed that American officials should not issue a further circular advising evacuation at this time but should continue informally to urge evacuation when advice is sought or when the opportunity presents itself. Meanwhile, the Department may wish to take steps to discourage Americans from proceeding to the unoccupied provinces of West China.

Sent to the Department. Repeated to Peiping. Code text by mail to Yunnanfu.

JOHNSON

393.115 Standard Vacuum Oil Co./277

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

No. 627

CHUNGKING, August 10, 1940.

[Received August 27.]

SIR: I have the honor to refer to my despatch no. 585 of July 9, 1940⁹ respecting the occurrence of attacks by Chinese armed forces on installation properties of the Standard-Vacuum Oil Company at Ichang, Hupeh, China, and particularly to the alleged shelling by Chinese armed forces of a residence in the installation compound of the American company on July 1, 1940; and to enclose herewith a copy in translation of a self-explanatory note received from the Ministry of Foreign Affairs dated August 4, 1940¹⁰ containing allegations to the effect that Japanese troops were active at the time in the vicinity of the property of the Standard-Vacuum Oil Company and that Chi-

⁹ Not printed, but see footnote 86, p. 886.

¹⁰ Not printed.

nese artillery troops were obliged to return fire for purposes of self-defense.

The Embassy has invited the comment of the Standard-Vacuum Oil Company with respect to the allegations contained in the note received from the Ministry of Foreign Affairs.

Respectfully yours,

NELSON TRUSLER JOHNSON

393.11/2150 : Telegram

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

WASHINGTON, August 14, 1940—7 p. m.

142. Your 388, August 8, noon. In view of the comments in your telegram under reference, we are not for the present suggesting that the Embassy issue formal advice to Americans to withdraw from Chungking, Yunnanfu and other places in southwestern China. The Department desires, however, that you and Yunnanfu continue, as indicated in the last substantive paragraph of your telegram, informally to urge withdrawal as opportunity presents itself, and you are requested to instruct the Consul at Yunnanfu accordingly and to ask him to emphasize to the American residents of that city the probable dangers to be anticipated by continued residence there and the possibility that transportation facilities to places outside of southwestern China and Indochina may shortly become unavailable.

The Department will adopt the suggestion contained in the last substantive sentence of your telegram and will take steps to discourage Americans, except in cases in which there may be impelling circumstances, from proceeding to the areas of West China.

Sent to Chungking. Repeated to Peiping.

WELLES

393.111/451 : Telegram

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

CHUNGKING, August 15, 1940—10 a. m.

[Received 11:15 a. m.]

Reference Chungking's telegram of February 15, 11 a. m., to Peiping in regard to restrictions on travel of foreign nationals across Yellow River and flooded area in Honan.

In May and in August of this year the Embassy brought two applications of Americans desiring to cross the Yellow River near Chengchow, Honan, to the attention of the Foreign Office and requested that the applicants be granted facilities for travel via that route. How-

ever, the Foreign Office refused these requests on the alleged ground of military necessity and inability to grant adequate protection. The Chinese military authorities are still strictly and uniformly prohibiting the passage of foreign nationals via the various points within the closed line of the Yellow River and the flooded area in Honan. The foregoing information should be brought to the attention of American nationals who propose to travel via the Honan route into the unoccupied provinces.

Sent to Peiping, Tientsin, Chefoo, Tsingtao, Shanghai, Hankow. Repeated to Department. Tsingtao please mail to Tsinanfu. Shanghai please mail to Nanking.

JOHNSON

893.102F/8 : Telegram

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

ТоКYO, August 16, 1940—11 a. m.
[Received August 17—5:20 a. m.]

702. Reference Peiping's despatch No. 2460, January 17, 1940.¹¹ The British Embassy is now authorized to propose to the Japanese Government that a regular steamship service to Sharp Peak [Fukien], be allowed to pass the Japanese blockade.

Please instruct as to whether the Department desires me to make informal representations to the Foreign Office on humanitarian grounds and because of the need of Americans at Foochow for such service.¹²

Sent to the Department via Peiping.

Sent to the Department, repeated to Chungking, Foochow.

GREW

893.102F/9 : Telegram

The Consul at Foochow (Ward) to the Secretary of State

FOOCHOW, August 18, 1940—5 p. m.
[Received August 19—9:15 a. m.]

5. Tokyo's August 16, 11 a. m. Every consideration which led to the submission of the original proposal to have a ship call fortnightly at Sharp Peak is of course more pressing at the present time, when all approach from the sea is cut off, and although the welfare of Americans in this district is not immediately threatened, and they are reconciled to the acceptance for as long as may be necessary of their present almost complete isolation, it is respectfully submitted that any arrangement which it may be feasible to make to bring a steamer to the

¹¹ Not printed.

¹² The Department so instructed in its telegram No. 315, August 19, 6 p. m.

mouth of the Min River at regular intervals to import essential medical and other supplies and to carry the mails would be of the greatest assistance to the American community here.

Sent to the Department, repeated to Peiping, Chungking and Tokyo.
WARD

793.94/16177 : Telegram

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

CHUNGKING, September 13, 1940—11 a. m.
[Received September 13—6 : 30 a. m.]

465. Embassy's 463, September 12, 3 p. m.,¹³ bombing of Chungking September 12.

1. Additional small formations of Japanese the number of which is not known dropped high explosive and incendiary bombs in a downtown section of Chungking adjacent to the Kialing River yesterday evening at approximately 7 : 40 and 8 : 20, apparently causing considerable damage.

2. The American representative of the American Methodist Mission has informed the Embassy that the mission property at Daijiahang (situated adjacent to the Kialing River) was seriously endangered and suffered minor damages from concussion, one demolition bomb falling at the foot of a cliff below the hospital and residences, badly damaging doors and windows, while an incendiary bomb falling on a tennis court within 30 feet of a residence menaced the entire property (including two large hospital buildings, two foreign residences, a church, pastor's residences, et cetera, which comprise a large share of the buildings still standing in that part of the city).

Sent to the Department. Repeated to Peiping, Hankow, Shanghai. Shanghai repeat to Tokyo. Air mail to Yunnanfu.

JOHNSON

393.115/997 : Telegram

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

WASHINGTON, September 27, 1940—6 p. m.

368. Your 837, September 14, 9 a. m.,¹⁴ 842, September 16, 5 p. m.,¹⁵ and 878, September 22, 2 p. m.¹⁵ The Department heartily approves the approach you have made to the Foreign Minister.¹⁶

¹³ Not printed.

¹⁴ Not printed, but see note No. 1630, September 13, from the American Ambassador in Japan to the Japanese Minister for Foreign Affairs, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 695.

¹⁵ *Ibid.*, p. 697.

¹⁶ Yosuke Matsuoka.

It seems to the Department that the continued bombing of American properties in China by Japanese aircraft and the completely inexcusable multiple bombings of certain property do not, unless such bombings cease immediately, warrant the withholding longer from the American public full information in regard to (1) the number and extent of these bombings since the beginning of the Sino-Japanese hostilities; (2) the protests which have been lodged against them with the Japanese Government and the unsatisfactory response which the Japanese Government has made to our representations—a response whose unsatisfactory nature is not only reflected in the general weakness of the explanations offered but also in the continuance and repetition of the bombings; and (3) the fact that although properties have been marked with American flags and otherwise and the Japanese authorities have been furnished maps showing the location of American properties, some properties have been repeatedly bombed to an extent which makes unavoidable an assumption that these bombings were deliberate.

The record of representations and replies which we have under consideration for publication include this Government's formal note to the Japanese Government dated March 30, 1939;¹⁸ oral representations made May 11, 1939, to the Japanese Foreign Minister by you;¹⁹ the Japanese Government's reply of May 17, 1939;²⁰ to this Government's note of March 30, 1939; this Government's formal note to the Japanese Government dated May 22, 1939;²¹ Mr. Dooman's representations to the Foreign Minister of June 19, 1939;²² and your note of September 13, 1940 (referred to in your 837, September 14, 9 a. m.), which the Department would appreciate receiving by radio via Shanghai in full text.

In view of your 878, September 22, 2 p. m., particularly the Foreign Minister's statement, as mentioned in the last substantive paragraph of that telegram, the Department suggests that you wait for what you consider a reasonable time to determine whether or not effective action is being taken by the Japanese Government to halt the bombings; that at the expiration of such time you advise the Department;

¹⁸ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 643.

¹⁹ See memorandum by the Ambassador in Japan, May 11, 1939, *ibid.*, p. 646.

²⁰ See telegram No. 238, May 19, 1939, 4 p. m., from the Chargé in Japan, *ibid.*, p. 649.

²¹ See telegram No. 241, May 22, 1939, 6 p. m., from the Chargé in Japan, *ibid.*, p. 650.

²² See telegram No. 283, June 19, 1939, 7 p. m., *Foreign Relations, 1939*, vol. IV, p. 342.

and that you proceed to inform Mr. Matsuoka that full information in regard to the bombings, as indicated above, will be released to the public. You may say that it has been the long-established practice of this Government to keep the American public as fully informed as practicable with regard to events affecting American rights and interests in foreign countries, that consequent upon an expression of desire on the part of the Japanese Government that publication of documents and full data relating to cases of bombing of American properties be withheld, this Government had been encouraged to hope that effective measures of a preventive character would be devised by the Japanese Government but that, in view of the continuance with undiminished vigor of attacks on American properties in China, the Department is reluctantly forced to the conclusion that no useful purpose would be served by further delay in making available to the American public information regarding the extent and character of damage inflicted upon American properties in China by Japanese forces during the current hostilities.

With particular reference to your 842, September 16, 5 p. m., in which mention is made of the "tenth bombing" of the Methodist Episcopal mission, and for the purposes of the record, it appears from the reports of the bombing of American Methodist mission properties at Chungking received by the Department that those properties are situated in two separate areas (one in the Daijihang—or Tachiahang—section near the banking district and the other in the western part of the city) and have together been bombed eleven times. It is believed that the western district properties include the Suteh Girls' school, a hospital, a church (the Lewis Memorial Church?) and certain residences, and that the Daijihang compound includes a hospital, a church and residences. Chungking is hereby requested to clarify this aspect of the matter for your and the Department's information.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping. Shanghai please repeat to Chungking and to Peiping Tokyo's telegram 837, September 14, 9 a. m.

HULL

393.115/998 : Telegram

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

TOKYO, October 1, 1940—4 p. m.
[Received October 5—8: 10 p. m.]

924. I entirely concur in the suggestions contained in the fourth substantive paragraph of the Department's telegraphic instruction No. 368, September 26 [27], 6 a. m. [*p. m.*] I am keeping a careful record

of the bombings which have taken place since my personal and official notes on this subject reported in our 837, September 4 [14], 9 a. m.²⁵ were sent to the Foreign Minister, and shall report promptly to the Department, prior to discussion [of] the matter with Mr. Matsuoka, when in my estimation a reasonable time has elapsed to determine whether or not effective action is being taken by the Japanese Government to halt the bombings. In this connection I think it possible, bearing in mind the observation made to me by Mr. Matsuoka reported in the last paragraph of our telegram 878, September 22, 2 p. m.²⁶ that having taken the step of signing the tripartite alliance with Germany and Italy²⁷ desired by the extremists he may endeavor to curb these bombings.

The representations referred to in our 842, September 16, 5 p. m.²⁸ will be deferred pending receipt of clarification from Chungking of the points raised in the penultimate paragraph of the Department's instruction under reference. It will be observed, however, from a reading of the text of our note of September 13, 1940,²⁹ regarding the ninth bombing of Methodist Episcopal Mission property at Chungking, which is being transmitted by radio in accordance with the Department's instruction³⁰ (in plain language in a separate telegram²⁸) that it mentioned the ninth bombing of the property of the Methodist Episcopal Mission in Chungking without stating that property was all situated in one compound.³¹

Sent to the Department, via air mail to Shanghai. Shanghai please repeat to Chungking and Peiping via Naval Radio.

GREW

393.11/2170 : Telegram

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

PEIPING, October 9, 1940—6 p. m.
[Received October 9—2: 50 p. m.]

372. Dr. Leighton Stuart³² who is on friendly terms with General Tada, Commander of the Japanese North China army, was in-

²⁵ Telegram not printed; for the Ambassador's notes of September 13, see *Foreign Relations, Japan, 1931-1941*, vol. I, pp. 695 and 696.

²⁶ For paraphrase, see *ibid.*, p. 697.

²⁷ Signed at Berlin, September 27; for summary, see *ibid.*, vol. II, p. 165.

²⁸ Not printed.

²⁹ *Foreign Relations, Japan, 1931-1941*, vol. I, p. 695.

³⁰ Telegram No. 368, September 27, 6 p. m., p. 897.

³¹ In telegram of October 1, 5 p. m., the Ambassador in China listed 16 bombings of 5 different properties of the Methodist Mission, Chungking, in 1939 and 1940 (393.1163 M56/247).

³² American president of Yenching University, Peiping.

formed by the General this afternoon during a conversation that he had issued telegraphic instructions yesterday to all military garrisons under his command to give full protection to Americans at this time when tension was increasing.

Sent to the Department.

Repeated to Chungking, Tientsin, Shanghai, Tokyo.

SMYTH

393.115/1008 : Telegram

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

TOKYO, October 13, 1940—noon.

[Received October 14—8:38 a. m.]

982. Department's telegraphic instruction No. 368, September 27, 6 p. m., and our telegram No. 924, October 1, 4 p. m. During the period of 1 month which has elapsed since the sending of my note No. 1630 and personal letter of September 13 to Mr. Matsuoka³³ regarding the continued Japanese bombing of American property in China, a noticeable improvement in that respect appears to have taken place. According to the Embassy's records, except for one bombing which occurred on the very day that my letter under reference was delivered to the Foreign Minister, no actual American property damage in China has been reported to this Embassy to have been suffered from Japanese air raids during the period mentioned although Kunming reports bombs dropped near the Vacuum Oil Company's warehouse in that city on September 30.

It appears probable therefore that the Minister's statements made to me on September 12 (our telegram No. 825, September 12, 7 p. m.,³⁴ paragraph numbered 6), on September 21 (our telegram No. 878, September 22, 2 p. m.³⁵) and on October 6 (our telegram number 949, October 9 [6], 11 p. m.,³⁶ paragraph number 4), to the effect that he intended to make a determined effort to settle the accumulation of American complaints, may constitute the reason for the sharp decline in bombing of American property in China during the past month. It will be recalled in this connection that during the period covering roughly 3 months prior to my letter to the Minister, approximately 23 cases of bombing of American property in China had been reported.

³³ *Foreign Relations*, Japan, 1931-1941, vol. I, pp. 695 and 696.

³⁴ *Ante*, p. 812.

³⁵ *Foreign Relations*, Japan, 1931-1941, vol. I, p. 697.

³⁶ *Ante*, p. 422.

In this connection reference is made to Hankow's September 28, 10 a. m., paragraph 1, to Chungking³⁸ which may or may not represent a significant symptom. The time lag in receiving reports from offices in China is such that the Embassy has not yet had a sufficient amount of material from China to be able to judge of the trend of developments as regards Japanese interference with American interests in China during the month just ended. I think therefore that we should wait a little longer to judge whether the foregoing reports and the recent absence of bombing incidents involving American property represent a bona fide change in Japanese policy toward American interests in China.

In the meantime I think it might be helpful when I next see the Foreign Minister to tell him of the apparent improvement in the situation under reference, ascribed to his promised efforts in the premises, at the same time pointing out to him that I have unfortunately as yet received no reassuring information from China with respect to the long list of trade interferences³⁹ and in fact have heard of new measures of price control in North China, continued interference with American trade in Shanghai, and a situation in Canton which indicates absolutely no progress in clearing up cases of Japanese interference with American rights in that district. I would propose when mentioning this subject to indicate to him that although appreciative of his efforts in respect to improvement of the bombardment of American properties by Japanese aviators, the mere cessation of such bombing cannot of course be regarded as touching any of the broader aspects of our relations.

Sent to the Department via Shanghai. Shanghai repeat to Chungking, Peiping.

GREW

793.94/16224 : Telegram

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

HONG KONG, October 14, 1940—6 p. m.

[Received October 14—9:46 a. m.]

387. Following from Kunming: October 13, 7 p. m. The northern section of Kunming was heavily bombed today shortly after 2 p. m. by a squadron of 27 planes. Several bombs fell dangerously near the Consulate, one hitting no more than 50 yards to north of office. No

³⁸ Not printed.

³⁹ See also pp. 484 ff.

one was in our compound at time but heavy concussion was evidenced by the breaking of several window panes, a large mirror in the residence, shaking of plaster and dirt from walls; five sections of wooden ceiling of entrance portico fell.

Several buildings of Yunnan University and of Southwest Associated University within the city were hit. The residence of Colonel Chennault was largely destroyed and there was widespread destruction in the northern residential section. No other damage to Americans is known. An additional six dive bombers participated in the raid, attack being centered on the cotton mills south of town, but reportedly without further serious damage.

Please repeat to Chungking and Peiping.

SOUTHARD

793.94/16224: Telegram

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

WASHINGTON, October 14, 1940—6 p. m.

211. Your 387, October 14, 6 p. m. Please repeat urgently to Tokyo Kunming's October 13, 7 p. m.,⁴⁰ with the suggestion, as from the Department, that the Embassy bring immediately to the attention of the Foreign Office this endangering of the American Consulate and its personnel at Kunming and request that prompt and effective steps be taken by the Japanese Government to prevent any possibility of a recurrence.⁴¹

Sent to Hong Kong. Repeated to Chungking and Peiping. Hong Kong notify Kunming.

HULL

393.115/1010: Telegram

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

WASHINGTON, October 17, 1940—7 p. m.

407. Your 982, October 13, noon. The Department concurs in the view expressed in the third sentence of the third substantive paragraph of your telegram under reference that we should wait a little longer to judge whether the reports you mention and the recent reduction in the number of bombing incidents represent any bona fide change in

⁴⁰ See telegram No. 387, *supra*.

⁴¹ For Japanese assurance of nonrepetition of bombing of Consulate, see telegram No. 1000, October 16, 5 p. m., from the Ambassador in Japan, *Foreign Relations, Japan, 1931-1941*, vol. 1, p. 698.

Japanese policy toward American interests in China. In view, however, of the continuing endangering and damaging of American property, official and private, at Kunming and Chungking (Kunming's October 13, 7 p. m. forwarded by Hong Kong's 387, October 14, 6 p. m. and Chungking's 520, October 17, 9 a. m.⁴²), the Department suggests that you hold in abeyance the contemplated further conversation with the Foreign Minister, as described in the last substantive paragraph of your telegram.

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.
HULL

893.111/461 : Telegram

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

CHUNGKING, October 18, 1940—1 p. m.

[Received October 18—9:56 a. m.]

Reference Embassy's telegrams of February 15, 11 a. m. and August 15, 10 a. m., travel in Honan.

1. The Embassy has received a note dated October 15 from the Ministry of Foreign Affairs. It has received a telegram from certain local military authorities in Honan to the effect that a group of 15 persons including an American (believed to be named Nelson) were apprehended by the Chinese military authorities at Kutientsi, Honan, when they were crossing the river in the flooded area without identification documents; that they were permitted to proceed to Chowkia-kow pending receipt of instructions from the higher authorities; and that notwithstanding the prohibition of travel by foreigners across the Yellow River and the flooded zone, the Ministry had as an accommodation instructed the authorities to permit the 15 persons to pass and to grant them interior travel visas. The Ministry emphasized however that the measures adopted in the present case could not be regarded as a precedent and asked the Embassy to inform Americans not to proceed to the closed areas in question.

2. Americans evincing a desire to travel from the occupied areas to the unoccupied areas by the Honan route should be clearly informed of the Chinese restrictions and of the impropriety and dangers of such travel.

Sent to Tientsin, Chefoo, Tsingtao, Shanghai, Hankow. Repeated to the Department. Tsingtao please mail to Tsinanfu, Shanghai please mail to Nanking.

JOHNSON

⁴² Telegram No. 520 not printed.

393.1163M56/251 : Telegram

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

WASHINGTON, October 23, 1940—noon.

417. Your 999, October 16, 1 p. m.⁴³ In the light of your recent approach to the Foreign Minister with regard to the general question of the bombings of American properties, the Department leaves to your discretion the question of the character of representations which you may consider appropriate for the purpose of completing the record in this instance.⁴⁴

HULL

793.94/16264 : Telegram

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

CHUNGKING, October 25, 1940—6 p. m.

[Received October 25—1:55 p. m.]

544. 1. Japanese planes resumed bombardment of Chungking today. Twenty-six heavy bombers flying from northwest to southwest dropped bombs in Kiangpeh, the lower portion of the city between the Yangtze River and the Kialing River and on the south bank of the Yangtze at 11:15 a. m. Later at least 8 light bombers attacked areas in the west part of the city and the western suburbs. Damage was restricted largely to shop and residential structures of the poorer kind. There were probably 100 casualties in the city proper and Kiangpeh while at least 25 persons were killed and 32 seriously wounded on the south bank.

2. The heavy bombers followed a course immediately over the Embassy premises and the U. S. S. *Tutuila* and bombs fell west, north and east of them, the nearest being about 300 yards north of the Embassy and the ship. Altogether 11 bombs fell on the south bank of the Yangtze, some near the river bank (well within the Japanese designated safety zone) and others eastward as far as the first range of hills.

3. An ice plant of the Chungking Ice Company, an American firm, was damaged during the raid and losses are reported to be estimated at \$1,000 United States currency. All Americans are believed safe.

Sent to the Department. Repeated to Peiping, Hankow, Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

⁴³ Not printed.⁴⁴ i. e., the bombing of Methodist Mission property at Chungking on September 13.

793.94/16264 : Telegram

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

WASHINGTON, October 26, 1940—2 p. m.

425. Chungking's 544, October 25, 6 p. m. It is suggested that, in your discretion, as in the cases of recent instances of the endangering by Japanese bombing of American properties, both official and private, you may care to bring to the attention of the Foreign Minister the bombing described in Chungking's telegram under reference which jeopardized the American Embassy and the U. S. S. *Tutuila* at that place and damaged American property there.⁴⁵

Sent to Tokyo via Shanghai. Repeated to Chungking and Peiping.
HULL

793.94/16269 : Telegram

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

CHUNGKING, October 28, 1940—noon.

[Received October 28—7:25 a. m.]

547. My 546, October 26, 1 p. m.,⁴⁶ bombing of Chungking, October 26. The Ford sedan of the American Assistant Naval Attaché valued at approximately 500 dollars United States currency was completely destroyed during the attack on the lower district of the city. Other American properties apparently escaped without damage.

Sent to the Department. Repeated to Peiping, Hankow and Shanghai. Shanghai please repeat to Tokyo.

JOHNSON

393.1123/24 : Telegram

The Vice Consul at Tsinan (Hawthorne) to the Secretary of State

TSINAN, October 30, 1940—10 p. m.

[Received October 31—1:03 p. m.]

Mr. B. T. Bard, an American citizen and superintendent of the North China District Council of the Assemblies of God with residence at Peiping, was assaulted by a Japanese soldier at Putsih near Chowtsun on Sunday afternoon October 27. As he was accompanying Miss Ingeborg Gustavson, an American citizen, to the railroad

⁴⁵ This was done in a note handed on October 28 by the Ambassador in Japan to the Japanese Minister for Foreign Affairs; see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 699.

⁴⁶ Not printed.

station, a Japanese soldier in the roadway began to hit a Chinese member [of] the mission who was carrying Miss Gustavson's suitcase. Bard then took the suitcase from the Chinese and walked to the church compound. The Japanese soldier followed him there and at the gate struck him once in the face with his fist. Bard and Miss Gustavson walked on rapidly to the railway station where the soldier followed them and inside the station he again assaulted Bard by hitting him twice in the face with his fists. Bard thought it best to return to the mission living quarters but outside the railway station the soldier caught up with him, tripped him with his foot and pushed him to the ground. Bard then walked away to the mission and he was not molested further. He did not at any time resort to a physical self defense. He still retains a slight bruise visible under the right eye but he suffered no other physical injury.

At the mission's new church compound (separated from the mission's living quarters) Chinese policemen were posted on Sunday afternoon after the incident and no one was allowed to enter or leave. About 100 Chinese Christians were thus forced to spend the night inside the church and they were not able to leave until Monday afternoon when without explanation the police were withdrawn. Bard reported the foregoing in person to the Consulate this afternoon. No further incidents had occurred at Putsih before he left this morning.

I shall call upon my Japanese colleague tomorrow to demand an apology, punishment of the offender and assurance that such incidents will not occur again. A full report will follow by mail.⁴⁷

Sent to the Department, repeated to Chungking, Tokyo.

HAWTHORNE

793.94/16293: Telegram

The Consul at Rangoon (Brady) to the Secretary of State

RANGOON, November 4, 1940—7 p. m.

[Received November 4—6 p. m.]

Since October 20 Burma Road has been repeatedly bombed but traffic has not yet been interrupted for more than short periods. Two main bridges slightly damaged and one convoy of 12 trucks hit. Americans at aircraft factory at Loiwing, China, numbering about 40 and including several women and children, have erected temporary living quarters across frontier in Burma. There were no American casualties during attack on October 26. Factory has been shut down and steps taken for safety of equipment pending decision as to disposition. Reports indicate that Japanese flew over Burmese

⁴⁷ Not printed.

territory. First China National Aviation Corporation plane at Rangoon since machine gunning of pilot Kent and passengers ⁴⁸ landed yesterday and left today on return to China and Hong Kong. As evidence that there is no present intention to abandon service, it is announced there will be an additional weekly flight to Burma.

BRADY

393.115/1019 : Telegram

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

TOKYO, November 6, 1940—noon.

[Received November 6—6:45 a. m.]

1104. Department's 368, September 27, 6 p. m., fourth substantive paragraph.

1. In view of recent recrudescence of Japanese bombing attacks on American property in China and the further endangering of American lives, I feel that in my next interview with the Minister for Foreign Affairs it would be well to tell him in the course of conversation and as on my own initiative that my Government might feel obliged in the near future to publish full information with regard to these and previous bombings in accordance with the long established practice of the American Government. I would then proceed along the further lines of the Department's instruction.

2. Instead, however, of presenting our Government's proposed action as a final and irrevocable decision, I would be inclined in the first instance to indicate that the proposed publication of the facts would be conditional upon future developments. Should the Minister characterize such a statement as a threat, the logical reply would be that such an alleged threat was scarcely to be compared not only with the constant threat than [*from?*] their Japanese aviation over the heads of American nationals and property in China but with the hard reality of American lives actually taken by the Japanese military there as well as the stubborn fact of the innumerable instances of wanton destruction of important American property in China by Japanese aviators. Might not such a conditional approach be more likely to exert a deterrent effect than would an outright unconditional announcement of our intention to publish the documents mentioned by the Department?

3. If the Department concurs, this approach could properly be made when I see the Minister in connection with the shooting of the China

⁴⁸ For American note of November 8 on the death of pilot W. C. Kent, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 700.

National Aviation Corporation plane (our 1103, November 5, 8 p. m.⁴⁹).

4. The Minister for Foreign Affairs has just invited me to come and see him "for a cup of tea" on Friday, November 8, at 4 p. m.

5. Please instruct.⁵⁰

GREW

393.1163M56/269

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

No. 5133

TOKYO, November 13, 1940.

[Received December 16.]

SIR: With reference to despatch No. 2896 under date of October 17, 1940, from the Embassy at Peiping,⁵¹ regarding the latest bombing by Japanese planes of property of the Methodist Episcopal Mission at Chungking which took place on October 16, 1940, and to other correspondence on this case, I have the honor to transmit herewith for the Department's information and records a copy of the Embassy's note No. 1674 of November 6, 1940,⁵¹ making representations to the Imperial Japanese Ministry of Foreign Affairs on this matter, protesting emphatically regarding the repeated attacks upon the property of this mission and requesting that peremptory instructions be issued to the Japanese forces in China to put an end to such attacks.

Respectfully yours,

JOSEPH C. GREW

393.1163/1020: Telegram

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

PEIPING, November 28, 1940—5 p. m.

[Received November 28—4:56 p. m.]

493. Peiping's 492, November 28, 4 p. m.⁵¹ newspaper attack on mission schools. The Embassy believes the editorial quoted in the telegram under reference represents the ideas of the Japanese military who in Japan, Korea and Manchuria have undermined the integrity of mission-operated schools not only because such schools were under

⁴⁹ Not printed; for the Ambassador's note No. 1678, November 8, see *Foreign Relations, Japan, 1931-1941*, vol. I, p. 700.

⁵⁰ The Department approved the proposed procedure in telegram No. 454, November 7, 9 p. m. (not printed), and the Ambassador reported his interview with Minister Matsuoka in telegram No. 1125, November 11, noon, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 702.

⁵¹ Not printed.

foreign influence, but also because they formed centers of liberal and democratic thought. Such concepts are naturally anathema to the Japanese ultra nationalists who seem determined to extirpate all opposition to their ideas of the state and of society.

It is possible that the editorial coming at this particular time of international strain is the opening gun in a campaign to attempt the eradication or at least the lessening of foreign influence in the educational system of North China.

Sent to Department, repeated to Chungking, Tientsin. By air mail to Tokyo.

SMYTH

393.1123/26: Telegram

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

WASHINGTON, December 10, 1940—noon.

529. Peiping's 502, December 4, 3 p. m.,⁵⁴ Bard incident.

The Department assumes that you will in due course, in your discretion, take up this matter with the Japanese Foreign Office in such manner as you may deem appropriate, either as a separate matter or in conjunction with other matters.⁵⁵

Sent to Tokyo via Peiping. Repeated to Chungking. Peiping mail to Tsinan.

HULL

393.1163/1024: Telegram

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

PEIPING, December 20, 1940—4 p. m.
[Received December 22—6:12 p. m.]

527. The following report of the forced withdrawal of American missionaries from Shansi because of Japanese pressure on Chinese members of the mission has been furnished the Embassy by Mr. E. M. Wampler, an American citizen and in charge of the Church of the Brethren Mission in Shansi:

The Church of the Brethren Mission, with home office in Elgin, Illinois, has for many years operated four mission stations in Shansi at

⁵⁴ Not printed; see telegram of October 30, 10 p. m., from the Vice Consul at Tsinan, p. 906.

⁵⁵ The Ambassador in Japan in his telegram No. 1328, December 17, 8 p. m., reported he had made full oral representations to the Japanese Minister for Foreign Affairs (393.1123/28).

Taiyuan, Shouyang, Pingting, and Liaochow. Shouyang and Pingting are along the Chengtai Railway and Liaochow is 60 miles south of Pingting. The Mission operates hospitals at Liaochow and Pingting.

Mr. Wampler reports that for some time the Japanese military have been bringing pressure to bear on the Chinese members of their mission stations and intimidating their converts and servants; he adds that the Japanese have been careful, however, to avoid contact directly with the American missionaries themselves. In August while Mr. Wampler was away on summer vacation the Japanese arrested and took away from the mission compound at Liaochow 13 Chinese members of the mission including a physician, the head hospital nurse and several mission school teachers on the ground that they were "Communists"; during October and early November these 13 Chinese were killed by the Japanese.

Two Chinese were also taken away from the mission at Shouyang but their subsequent fate is unknown. The Japanese pressure on the Chinese members and converts steadily increased during recent months and finally reached a point where the Chinese felt that their safety would be endangered unless the American missionaries departed. This, of course, was what the Japanese intended. The Americans then decided that, for the safety of their Chinese, they had no course but to evacuate entirely from Shansi until such time as normal conditions are restored. All the American missionaries from the 4 stations in Shansi, comprising 6 families and 6 single women, have arrived in Peiping during the past week. A list will be transmitted by separate telegram.

Mr. Wampler reports that it has been obvious for a long time that the Japanese military in Shansi Province would like to have all foreign missionaries leave the province, not only because they wish to remove all foreign influence (see Peiping's 493, November 28, 5 p. m.), but also because foreign missionaries report to the outside world the actual facts of the military and political situation, which usually differ considerably from the official Japanese reports released through Domei News Agency.

The driving out of Shansi of these American missionaries through pressure exerted by the Japanese military on Chinese members of the mission is an indication of what may be expected in the occupied areas unless the Japanese military are restrained. The tactics employed by the Japanese military in this case proved far more effective than pressure exerted directly on the American missionaries themselves; as Mr. Wampler states, these American missionaries would have refused to yield to direct pressure on, or threats against, their own person, but they found it impossible to resist Japanese tactics which threatened the safety of their Chinese adherents.

The Embassy here believes that representations to the Japanese Embassy in Peiping would serve no useful purpose as it has been clearly demonstrated on many occasions that the Japanese Embassy has no influence with the Japanese military in North China. It is respectfully suggested, however, that the Department may wish to have the Embassy in Tokyo bring the matter to the attention of the Japanese Foreign Minister, in view of Mr. Matsuoka's professed desire to obviate so far as practicable interference on the part of the Japanese authorities with American rights and interests in China.

Full mail report follows.⁵⁷

Sent to the Department. Repeated to Chungking, Tokyo, Shanghai. By mail to Tientsin.

SMYTH

893.1163 Am 33/309: Telegram

The Consul General at Canton (Myers) to the Secretary of State

CANTON, December 30, 1940—4 p. m.
[Received December 31—9:40 a. m.]

Reference my September 29, 6 p. m.⁵⁷ and previous in regard to interference with Southern Baptist Mission Hospital. The head of the hospital has informed this office that he and the Japanese Military authorities concerned have agreed upon a *modus vivendi* under which motor cars, identified by national flags, and other vehicles carrying foreign passengers may freely enter the hospital premises, the hospital vehicles carrying only Chinese including patients and others will be subjected to one inspection by sentry in street. The barrier in front of main entrance has been removed.

This arrangement which embodies mutual concessions was drawn up during a friendly conference between the head of the hospital and the military authorities concerned, former commandant of the adjacent encampment and former head of the third section of military headquarters who have recently returned to Canton. The arrangement at least reflects a marked improvement in the attitude heretofore shown by the authorities in this case and if carried out in good faith should obviate objectionable interference with the operations of the hospital.

Sent to Peiping, repeated to the Department and Chungking.

MYERS

⁵⁷ Not printed.

ATTITUDE OF THE DEPARTMENT OF STATE REGARDING ACTIVITIES
OF THE AMERICAN RADIO SERVICE AT TIENTSIN

811.5034 (China) American Radio Service/10

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

No. 2435

PEIPING, January 5, 1940.

[Received February 5.]

SIR: I have the honor to refer to the Department's telegraphic instruction No. 255 of November 13, 1939, 7 p. m., to the Embassy⁵⁸ in regard to the application for registration as an American firm of the American Radio Service at Tientsin, and to enclose for the information and consideration of the Department copies of Consul General Caldwell's despatch to the Embassy No. 937 of December 29, 1939,⁵⁹ in which he sets forth the results of the investigation into the firm's activities called for in the Department's instruction in question.

Summary

The American Radio Service has denied the allegation of the Japanese authorities that the station is a base of an anti-Japanese terrorist group, and has given assurance that the firm will avoid involvement in political matters. The Consulate General is prepared, subject to approval by the Embassy and the Department, to grant provisional registration to the firm. The Embassy recommends that provisional registration for a period of six months be granted.

The Department will note that Mr. Caldwell reports that he brought to the attention of Mr. Nichols,⁶⁰ manager-partner of the American Radio Service, the Japanese allegations that the station was serving as a base for anti-Japanese activities, and that Mr. Nichols emphatically denied the Japanese charges orally and in writing. Mr. Nichols stated that he had positive knowledge of the existence in Tientsin of a radio station which was in communication with the Chinese Government at Chungking and he asserted that for this reason there was no need for his Chinese employees to use his station for such purposes. Mr. Nichols added that his Chinese employees were not interested in politics except to the extent that all Chinese were at heart patriotic. Mr. Nichols stated that he had always been willing to agree to any censorship the British Concession authorities desired to impose, but that those authorities had apparently done nothing in the matter; he added that he made a practice of sending to the British

⁵⁸ *Foreign Relations*, 1939, vol. iv, p. 404.

⁵⁹ Not printed.

⁶⁰ Walter A. B. Nichols, American citizen at Tientsin.

Municipal Council copies of all messages in Chinese handled by the station, in accordance with the terms of the license originally issued to the station by the British Municipal Council, even though no license had been issued during the past year.

Mr. Caldwell reports that, at his request, the United States Marine Detachment at Tientsin kept a radio watch over the American Radio Service for three days from December 14 to 17 and he encloses with his despatch a copy of the log (in 22 pages) of that watch.⁶¹ He states that there appears to be nothing in the log to justify the Japanese allegations, although, owing to the nature of some of the material copied, he can not express a positive opinion on the matter.

In conclusion, Mr. Caldwell recommends that the American Radio Service be granted provisional registration, subject to cancellation without notice in case it should develop that the activities of the station are detrimental to American interests generally. The Embassy concurs in his recommendation and suggests that the provisional registration be limited to a period of six months, extensions of which to be authorized if considered appropriate. The Department's instructions will be appreciated.

In connection with this matter, it will be recalled that the Embassy at Chungking stated in its telegram to Peiping of November 17, 1939, 5 p. m. (repeated to the Department in Peiping's 590 of November 18, 1939, 11 a. m.⁶²), that the Chinese Ministry of Communications had authorized the American Radio Service to set up a radio station at Tientsin and to communicate with Chengtu and Shanghai, although the Ministry reserved the right of cancellation of this authorization at any time.

Respectfully yours,

NELSON TRUSLER JOHNSON

811.5034 (China) American Radio Service/16: Telegram

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

PEIPING, March 21, 1940—3 p. m.

[Received March 21—9 a. m.]

91. Peiping's 65, February 26, 1 p. m.,⁶¹ American Radio Service.

1. Tientsin reports in despatch No. 1014 of March 20⁶¹ that, at the request of British Consul General, Nichols of American Radio Service called on March 19 on British Consul General and was informed that on account of an agreement reached by the Japanese and

⁶¹ Not printed.

⁶² *Foreign Relations*, 1939, vol. iv, p. 406.

British Governments the American Radio Service will shortly be compelled to cease operations in the British Concession at Tientsin⁶³ but that the Japanese controlled Telegraph Administration would be prepared to purchase the station. Nichols replied that the station is not for sale and that if it is closed it will have to be taken by force. Nichols reports that radios operated by British shipping companies in the British Concession for communication with their steamers and branch offices are apparently to be permitted to continue operation and he considers [this?] to be discrimination in favor of British against American interests.

2. Nichols has requested Caldwell to ask the British Consul General to inform the American Consul General in writing of British Consul General's statements to Nichols which Nichols intends to use as a basis for a protest against the proposed British action. Caldwell replied that he desired to ask for instructions in the premises. The Consulate General's despatch requests information regarding the Department's decision on the application of the American Radio Service for registration. A statement of the Department's attitude on the principles involved would also be helpful to the Consulate General.

3. Nichols, notwithstanding his contention in the matter, has agreed to meet today representatives of the Telegraph Administration in order to ascertain their attitude and proposals. He informed Caldwell that although at one time his station had a large amount of foreign business it now has very little outgoing business because of recently increased rates whereas Telegraph Administration has not increased rates. The station, however, has a considerable volume of incoming foreign messages and a large traffic with Shanghai.

4. On the basis of information before it, Embassy sees no objection to Caldwell asking his British colleague for the information referred to in paragraph 2 above.

Sent to Department only.

LOCKHART

811.5034 (China) American Radio Service/20 : Telegram

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

WASHINGTON, March 26, 1940—4 p. m.

47. Chungking's 142, March 21, 2 p. m.,⁶⁴ your 91, March 21, 3 p. m., and Tientsin's 42, March 23, noon,⁶⁵ American Radio Service.

⁶³ For further correspondence regarding Japanese pressure against the British at Tientsin, see pp. 840 ff.

⁶⁴ Not printed.

⁶⁵ Telegram No. 42 not printed.

1. In view of recent developments, the Department prefers to make no decision at this time in regard to registration of American Radio Service.

2. If the radio stations mentioned as being operated by British companies are operated primarily for communication on company matters with branch offices and steamers, the Department is inclined to consider that they are on a different basis from that of the American Radio Service which is understood to operate primarily on behalf of the public.

3. Under all the circumstances attending the matter and upon the information before it, the Department is not inclined to request that the British authorities assume responsibility for extending protection to the American Radio Service to enable the Radio Service to continue operation in the British Concession. The Department's position remains as indicated in its telegrams no. 6, January 22, 3 p. m., 1938, to Tientsin,⁶⁷ and no. 237, October 19, 7 p. m., 1939 to Peiping.⁶⁸

4. If the Embassy perceives objection to the attitude expressed above, the Department would welcome the Embassy's comment in regard thereto. If not, please ask Tientsin to express to Nichols the Department's attitude.

Sent to Peiping. Repeated to Chungking and Tientsin. Peiping please mail code text to Tokyo.

HULL

811.5034 (China) American Radio Service/26 : Telegram

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

CHUNGKING, April 10, 1940—4 p. m.

[Received April 10—10:15 a. m.]

174. My March 28, 11 a. m. to Tientsin,⁶⁸ American Radio Service. I have today informed my British colleague that Nichols has been informed of the Department's position as indicated in the first sentence of paragraph 3 of the Department's 47, March 26, 4 p. m., to Peiping and that Nichols said he was unwilling to have his station closed and that he was not ready to dispose of it.

Repeated to Peiping and Tientsin. Peiping please air mail code text to Tokyo.

JOHNSON

⁶⁷ *Foreign Relations*, 1938, vol. IV, p. 247.

⁶⁸ Not printed.

811.5034 (China) American Radio Service/27 : Telegram

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

CHUNGKING, April 11, 1940—10 a. m.

[Received April 11—5:40 a. m.]

175. My 174, April 10, 4 p. m. American Radio Service Tientsin. The Chinese Foreign Office has written informally asking that American consular officials at Tientsin be instructed to give their support to Nichols and Young⁶⁹ against the British demand that they close their radio station.

Receipt of the letter has been acknowledged without comment.

Repeated to Peiping and Tientsin.

JOHNSON

811.5034 (China) American Radio Service/31 : Telegram

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

TOKYO, June 6, 1940—6 p. m.

[Received June 7—8:38 p. m.]

419. Tientsin question, American-owned radio station. The draft memorandum about to be agreed upon by British and Japanese Governments with regard to police matters at Tientsin [regulates?] the procedure concerning the American-owned radio service in the British municipal area at Tientsin.

“It is understood that the commercial station operated by certain United States citizens will be allowed to operate for the period of two months from date of the coming into force of this memorandum and that, as soon as the said station is closed down, the official telegraph station operated by the local Chinese authorities will provide proper facilities at reasonable and non-discriminatory rates to residents within the British municipal area by improving its service both at the head office and at its branch office within the area.

The Japanese authorities will undertake to use their good offices to ensure that the facilities provided by the Chinese telegraph station are equal to those at present provided by the United States station.”

Repeated to Chungking and Tientsin.

[GREW]

⁶⁹ Paul K. B. Young, American partner in the radio firm.

811.5034 (China). American Radio Service/41 : Telegram

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

WASHINGTON, August 14, 1940—7 p. m.

129. Peiping's August 1, 4 p. m., to Tientsin; Tientsin's 146, August 6, 10 a. m.; and Chungking's 384, August 6, 11 a. m.,⁷¹ American Radio Service at Tientsin.

1. Having in mind (a) the conditions, as set forth in the Department's 237, October 19, 7 p. m., to Peiping,⁷² under which provisional registration was granted the American Radio Service; (b) the decision of the British municipal authorities at Tientsin, as indicated in Peiping's August 1, 4 p. m., to Tientsin, that the station must cease operation in the British municipal area on August 20; and (c) the obvious impracticability of Mr. Nichols' proposal to set up and operate the station in territory over which the permit-issuing authority does not exercise control and which is in fact under the military control of authorities who are understood to oppose the operation of the station, the Department feels that there is no longer any warrant for according the enterprise the protection or good offices of this Government and the provisional registration is accordingly hereby cancelled pursuant to the considerations mentioned in subsection (e) of the Department's 237, October 19, 7 p. m.⁷³

The Department desires that the Consul at Tientsin⁷⁴ inform Mr. Nichols in writing that the provisional registration of the American Radio Service has been cancelled and orally advise Mr. Nichols that, should he proceed to carry into effect his plan of operating the station in territory under Japanese military control, this Government would not be in position to intervene with the Japanese authorities on behalf of his enterprise. The Department also suggests that Fletcher orally point out to Mr. Nichols the obvious dangers and difficulties which are to be anticipated if he should go forward with his proposal.

2. With reference to the message from the Tientsin American Chamber of Commerce contained in Tientsin's 146, August 6, 10 a. m.,⁷² the Department desires that the Consul at Tientsin orally (1) inform the Chamber that the Department has received the message and has given

⁷¹ None printed.

⁷² Not printed.

⁷³ Subsection (e) stated that "if developments indicate that the continued operation of the station as an American enterprise would, under the conditions prevailing in North China, be detrimental to American interests generally, this Government may feel called upon to cancel the registration of the American Radio Service without advance notice of its intention to do so." (811.5034 China American Radio Service/2)

⁷⁴ Samuel J. Fletcher.

careful consideration thereto; (2) communicate to the Chamber an outline of the Department's position as indicated in the pertinent portions of the Department's telegraphic instructions no. 6, January 22, 3 p. m., 1938, to Tientsin⁷⁵ and no. 237, October 19, 7 p. m., and no. 47, March 26, 4 p. m., to Peiping; and (3) advise the Chamber that, in the light of all the circumstances, the Department has now found it necessary to cancel the registration of the American Radio Service as an American enterprise and that this Government will not be in a position to accord the enterprise hereafter diplomatic protection or the good offices of the Tientsin Consul General.

Sent to Peiping. Repeated to Chungking and Tientsin.

WELLES

893.74/1026: Telegram

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

WASHINGTON, August 29, 1940—4 p. m.

135. Tientsin's 150, August 14, 6 p. m. to Department and August 26, 6 p. m. to Peiping.⁷⁶ If Creamer⁷⁷ is still under surveillance by Japanese agents, the Department desires that the American Consul at Tientsin inform the Japanese Consulate General in writing that he has been instructed by his Government to file a formal protest against the action of the Japanese and to demand the immediate cessation of their illegal interference with an American citizen. Fletcher should also inform the Japanese Consulate General that this Government does not recognize any right which may be asserted by Japanese authorities to apprehend or question an American citizen as "suspect" and that any proceedings against an American citizen in China must be undertaken in the appropriate American consular court and in pursuance of American laws applicable to American citizens in China.

If the Japanese authorities should request the prosecution of Creamer for the alleged operation of a radio on his premises, Fletcher should inform those authorities that there would not seem to be any applicable American law under which Creamer could be prosecuted in this instance and that while this Government is prepared to discourage any action by citizens of the United States which might be properly objectionable to any other government, although such action may not be specifically prohibited by American law, the Government of the United States does not recognize the right of Japanese authori-

⁷⁵ *Foreign Relations*, 1938, vol. IV, p. 247.

⁷⁶ Neither printed.

⁷⁷ Lloyd G. Creamer, an American citizen at Tientsin.

ties to subject American citizens in China to Japanese regulation in that country.

Sent to Peiping. Repeated to Tientsin, Chungking. Peiping please repeat to Tokyo.

HULL

893.74/1027 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, September 4, 1940—5 p. m.

[Received September 4—5 p. m.]

Department's 125 [135], August 29, 4 p. m. to Peiping, Creamer case. Action taken as instructed in paragraph 1 of telegram under reference on August 30. No acknowledgment [as yet?] has been received from the Japanese Consul General, but Creamer yesterday reported that he believed Japanese surveillance of his movements had been discontinued.⁸⁰

Sent to Peiping. Repeated to the Department, Chungking. Code text by air mail to Tokyo.

FLETCHER

811.5034 (China) American Radio Service/52 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, September 30, 1940—6 p. m.

[Received September 30—3:35 p. m.]

American Radio Service. Acting judicially upon information furnished me by Major Anjo of the Japanese *gendarmarie* and Mr. Martel of the French municipal police, I today issued a warrant of search to the special officer of the Consular Court at Tientsin (Mr. Kushner) to enter the premises of Andersen, Meyer and Company, an American company, in the French Concession with the necessary assistance of the French municipal police to search for radio apparatus for receiving and transmitting messages allegedly installed and operated there in contravention of the police regulations of the French municipality.

When the search was made two transmitting units, three receiving units and auxiliary equipment were found. Messrs. Nichols and Morrison of the American Radio Service were present and admitted that the equipment belonged to them.

⁸⁰ In despatch No. 1181, September 20, the Consul at Tientsin reported that the Japanese Consul General had replied saying that Mr. Creamer had been placed under surveillance by the military authorities because of his suspected connection with certain "lawless elements", that the Japanese did not apprehend or question him, and that the surveillance had been withdrawn (893.74/1031).

The Japanese would not allow Kushner to bring the sets to this Consulate General or permit him to seal the room. It was then suggested that the French municipal police take custody of the equipment but they demurred whereupon the Japanese demanded that it be turned over to them.

At 5 o'clock this afternoon my French colleague informed me that due to pressure from the Japanese he had no alternative than to instruct the police to seize the equipment and files.

When the seizure was being made, the special officer of the court orally protested the action and Morrison and Nichols stated to the special officer of the court that they would hold the Consular Court liable for the property and would look to it to effect its recovery.

In view of the Department's telegram number 129, August 14, 7 p. m., stating that "this Government will not be in a position to accord the enterprise (American Radio Service) hereafter diplomatic protection or the good offices of the Tientsin Consul General", the Embassy's instructions are requested.

Sent to Peiping. Repeated to the Department and to Chungking.

FLETCHER

811.5034 (China) American Radio Service/54: Telegram

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

PEIPING, October 1, 1940—11 a. m.

[Received October 1—5:30 a. m.]

349. Tientsin's September 30, 6 p. m., to Peiping repeated to the Department, Chungking. American Radio Service. Tientsin is requested to clarify the following points: (1) were the transmitting and receiving units found on the premises set up and in operation or were they merely placed in Andersen, Meyer for storage; (2) who took possession of the equipment, Japanese or French, and who has it now.

In its 129, August 14, 7 p. m., to Peiping, the Department stated that the American Government would not be in a position to accord the "enterprise" diplomatic protection or the good offices of the Tientsin Consulate General. However, the question of the seizure of American property appears to be another matter. If Fletcher is convinced that the equipment under reference is in fact bona fide American property, the Embassy considers that he should object to its seizure without due process of law.

If, as seems probable from Tientsin's telegram, the equipment is now in the hands of the Japanese authorities, the Embassy considers

that Fletcher should inform his Japanese colleague in writing that the Government of the United States does not recognize the right of Japanese authorities to subject American citizens or property in China to Japanese regulations in that country; the Embassy considers that he should protest against the illegal seizure of American property and request its immediate return. The Embassy further believes that he should inform the Japanese Consulate General that any proceedings against an American citizen including the question of American property must be undertaken in the appropriate American court and in pursuance of American laws applicable to American citizens in China (see Department's 135, August 29, 4 p. m., to Peiping). The Embassy also considers that Fletcher should protest to the Japanese Consulate General against Japanese interference with an American consular court official in the performance of his official duties.

The Department's comments on the above recommendations are respectfully requested by radio.

Tientsin's telegram under reference has been repeated to Tokyo by this office.

Sent to the Department. Repeated to Tientsin, Chungking, Tokyo.

SMYTH

811.5034 (China) American Radio Service/53: Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 1, 1940—noon.

[Received October 1—5:30 a. m.]

My September 30, 6 p. m. In an official communiqué my French colleague⁸¹ informed me this morning that the operation of the radio in the French Concession by the American Radio Service was in contravention the [of?] French municipal regulations and also an infraction by the French authorities of the Franco-Japanese agreement.⁸² He further states that due to the intense indignation among the Japanese he must seize the set and all documents found on the premises for delivery to the Japanese Consul General to whom he relegated all future negotiations regarding the matter.

My French colleague attached a personal note to the above letter in which he expressed his regret that no other alternative was open to him under present condition without danger of further involvement. He said that he does not intend to inflict any fine provided by law on the American company but requested me to inform the

⁸¹ L. Colin, French Consul at Tientsin.

⁸² See telegram No. 467, June 19, 1 p. m., from the Ambassador in Japan, p. 856.

owners that their presence is not wanted in the French Municipality.
Sent to Peiping, repeated to Department and to Chungking.

FLETCHER

811.5034 (China) American Radio Service/55 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 1, 1940—6 p. m.

[Received 6 : 40 p. m.]

Peiping's 349, October 1, 11 a. m. to the Department, American Radio Service. Transmitting and receiving sets found on the premises were set up and in operation and had not been placed there for storage. The French took possession of the equipment and delivered it to the Japanese Consulate General at 9 a. m. today.

My French colleague this afternoon handed me, under instructions from his Embassy, a formal protest against the activities of American citizens in setting up and secretly operating a wireless transmitting station in the French Concession in violation of municipal regulations, thereby making Franco-Japanese relations more difficult.

Sent to Peiping. Repeated to the Department, Chungking, Tokyo.

FLETCHER

811.5034 (China) American Radio Service/56 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 1, 1940—7 p. m.

[Received October 1—5 : 50 p. m.]

My October 1, 6 p. m., American Radio Service. In handing me the protest mentioned in the telegram just cited my French colleague told me that this protest was *pro forma* but he added that for a time yesterday the situation was so serious due to the aggressive and threatening Japanese attitude that he feared for the safety of the Concession.

Sent to Peiping. Repeated to the Department, Chungking, Tokyo.

FLETCHER

811.5034 (China) American Radio Service/54 : Telegram

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

WASHINGTON, October 2, 1940—6 p. m.

159. Your 349, October 1, 11 a. m., American Radio Service.

1. The Department is in accord with your recommendations and

desires that Tientsin be instructed accordingly. In view of the flagrant illegality of seizure of American-owned property, Tientsin and if need be the Embassy should press for its immediate return.

While the French authorities apparently seek to excuse delivery of property to Japanese on ground of duress, the Department considers that the French action also involves clearly violation of American rights and desires that Fletcher formally protest such violation.

2. For consideration in future similar cases. While the Department does not of course desire to interfere in any way with the appropriate judicial functions of American consular officers, it suggests that from the point of view of policy it is desirable, in cases having important political implications and in connection with which other means may be available, to avoid taking formal judicial action. It is also suggested that, in cases in which the time element is not urgent, the Consul at Tientsin may wish, if he has any doubts as to the propriety of judicial action or the form which such action should take, to consult the Embassy at Peiping with a view either to obtaining the Embassy's informal advice or to discussing with the Embassy whether the circumstances are such that it would seem advisable to seek advice from the United States Court for China or the United States District Attorney.

Sent to Peiping. Repeated to Chungking and Tientsin. Peiping please repeat to Tokyo.

HULL

811.5034 (China) American Radio Service/63 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 5, 1940—3 p. m.

[Received October 5—12: 20 p. m.]

American Radio Service. My British colleague has just reported a rumor that Nichols has an office in the British Concession for accepting and delivering the texts of messages for American Radio Service clients; that he is anxious not to embarrass me by asking the police to investigate or asking me to take any official action; but requests me to endeavor informally [to] advise Nichols not to use the British municipal area for any purpose connected with the American Radio Service which is understood to be still operating from an undisclosed place.

My British colleague feels that it would be a violation of the Tientsin agreement to allow the enterprise to exercise any of its functions within the British municipal area for which he would be open to an accusation of breach of faith.

The Embassy's instructions are requested.

Sent to Peiping. Repeated to the Department, Chungking, Tokyo.

FLETCHER

811.5034 (China) American Radio Service/64 : Telegram

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

PEIPING, October 5, 1940—3 p. m.

[Received October 6—9:45 a. m.]

361. 1. Tientsin's October 4, 11 p. m. to Peiping repeated to the Department.⁸⁸ Agreeing with Fletcher's belief that the seized equipment is American property, the Embassy respectfully recommends that he should proceed to take action in accordance with Peiping's 349, October 1, 11 a. m. and the Department's 159, October 2, 6 p. m. to Peiping. Fletcher suggests, however, that in his representations to the Japanese Consul General Fletcher should state that the seized equipment is the property of Messrs. Nichols, Morrison and Young, all American citizens, rather than that it is the property of the American Radio Service and [*as?*] the registration of that firm was authorized [*conceled?*] in the Department's 129, August 14, 7 p. m. to Peiping.

2. Reference Tientsin's October 3, 3 p. m. to Peiping repeated to Department.⁸⁸ The Embassy believes no useful purpose would be served by Fletcher's making representations to the Japanese Consul General in regard to false press reports of Nichols' arrest. The Embassy also believes that Fletcher need not use his good offices to arrange an interview for Nichols with the Japanese authorities in regard to the four numbered points of the first paragraph of the telegram under reference as they all appear to be concerned with the American Radio Service as an "enterprise".

3. Reference last substantive paragraph of Tientsin's October 4, 11 p. m. to Peiping. The Embassy feels strongly that Nichols and his partners should be frankly informed that their radio activities and their stubborn refusal to cooperate in the expressed wishes of the Department are now embarrassing the American authorities and that such activities if continued cannot but have a detrimental effect on American interests in general in Tientsin. In this connection it will be recalled that the Department suggested in its 129, August 14, 7 p. m. to Peiping that Fletcher should point out to Nichols the obvious dangers and difficulties which were to be anticipated if he should go

⁸⁸ Not printed.

forward with his proposal to operate a radio station in territory under Japanese military control. In the opinion of this Embassy the French Concession at Tientsin is now for all practical purposes under Japanese military control.

4. The Department's instructions will be appreciated.

Sent to the Department. Repeated to Chungking, Tokyo.

SMYTH

811.5034 (China) American Radio Service/64 : Telegram

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

WASHINGTON, October 10, 1940—8 p. m.

168. Your 361, October 5, 3 p. m. and Tientsin's October 8, 3 p. m.⁸⁵

1. The Department perceives no objection to Fletcher acting in accordance with his suggestion as outlined in paragraph 1 of your telegram under reference. The Department approves the position of the Embassy as reported in numbered paragraphs 2 and 3 of the Embassy's telegram under reference.

2. The Department assumes that Tientsin, and if need be the Embassy, will now take action in accordance with paragraph 1 of the Department's 159, October 2, 6 p. m., to the Embassy.

Sent to Peiping. Repeated to Chungking, Tientsin.

HULL

811.5034 (China) American Radio Service/70 : Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 22, 1940—1 [6] p. m.

[Received October 23—4 a. m.]

Department's 159, October 2, 6 p. m. American Radio Service. I have today received a reply from my Japanese colleague to protest lodged in accordance with the instruction contained in the telegram under reference. The reply states that since the equipment was received from the French authorities he was forced to consider my protest as having been "misdirected".

In view of the evasive nature of the above reply and of the unsatisfactory reply from the French Consul to my protest to him (as reported in my despatch number 1211, October 15, 1940 to the

⁸⁵ Latter not printed.

Embassy ⁸⁶), it is suggested that the Embassy make appropriate representations on the matter to the French and Japanese authorities at Peiping. I consider that further action here would only delay settlement of the question and would serve no useful purpose.

Sent to Peiping. Repeated to the Department, Chungking, and land wire to Tokyo.

FLETCHER

811.5034 (China) American Radio Service/72: Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 26, 1940—1 p. m.

[Received 1:22 p. m.]

My October 22, 6 p. m. and Embassy's 403, October 25, 3 p. m. to the Department,⁸⁷ American Radio Service. In a conversation yesterday with Vice-Consul Yuni the Japanese Acting Consul General Okuma stated that his office intends to do nothing more at present to settle the problem of the American Radio Service's seized equipment and files but desires to let the matter remain in the *status quo*. He claimed to have but did not exhibit evidence that Nichols had been communicating with Chungking and criticized this office for "permitting" people like Creamer and Nichols to carry on their "anti-Japanese" activities. He said that his office was drafting a protest to this Consulate General against such activities by American citizens in Tientsin. He implied that Japanese "martial law" in North China transcends extra-territoriality with regard to all political activities of third country nationals, including Americans. He was informed that the United States Government does not recognize any such rights of the Japanese.

I addressed another representation to the Japanese Consul General yesterday stating that his assertion that my previous protests had been "misdirected" was in error since the facts of the case clearly indicated the responsibility of the Japanese with regard to the illegal seizure of the equipment; that he is in possession of American-owned property which was acquired unlawfully; and that the United States Government does not recognize the right of the Japanese to subject American citizens or property in China to Japanese regulations here. I reiterated my protest and requested the immediate return of the property to this Consulate General. In view of the adamant attitude exhibited by the Acting Consul General yesterday, I doubt that my latest protest will serve any other purpose than to place on record

⁸⁶ Not printed.

⁸⁷ Latter not printed.

the position of this Consulate General regarding the unsatisfactory reply from the Japanese to my former protests.

Sent to Peiping. Repeated to Department, Chungking. Code text by air mail to Tokyo.

FLETCHER

811.5084 (China) American Radio Service/78: Telegram

The Consul at Tientsin (Fletcher) to the Secretary of State

TIENTSIN, October 31, 1940—4 p. m.

[Received October 31—7: 39 a. m.]

Embassy's 403, October 25, 3 p. m. to the Department.⁸⁸ American Radio Service. With reference to Nichols' intention to start suit against the Marshal of the Consular Court as cited in the penultimate paragraph of the telegram under reference, Nichols today orally informed me that although he is preparing to bring suit he will not do so until all means are exhausted for settling the matter amicably.

As one possible solution Nichols has suggested that he would be willing to turn over the seized equipment (but not the files) to the North China Telegraph Company for a nominal sum or even as a gift if the Japanese Consul General would return the equipment and files to the French Consul who in turn could deliver it to the custody of the American Consular Court for delivery to Nichols and Morrison. From this suggestion it seems that Nichols' principal object, besides settlement of the case, is to protect his extraterritorial rights.

The acting Japanese Consul General, when informally discussing the solution suggested by Nichols, informed Vice Consul Yuni that the Japanese were not receptive to such a proposal but desired to keep the question "in *status quo*."

It would appear that the entire American Radio Service question could be solved if the Japanese would admit the illegality of the seizure and return the property to this office, since Nichols has apparently decided not to engage in radio activities in the future without the approval of the Japanese authorities and is prepared to turn over the equipment to the North China Telegraph Company.

Sent to the Department, Peiping, repeated to Chungking; code text by air mail to Tokyo.

FLETCHER

⁸⁸ Not printed.

811.5034 (China) American Radio Service/72: Telegram

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

WASHINGTON, October 31, 1940—7 p. m.

181. Your 403, October 25, 3 p. m.,⁸⁹ and Tientsin's October 26, 1 p. m. to Peiping. Inasmuch as the negotiations between the American Radio Service and the Japanese *Gendarmerie* did not cover the equipment seized in the French Concession, and inasmuch as there is involved in the case the question of interference with an officer of the consular court in the performance of his duties, the Department desires, unless the Embassy perceives objection, that the Embassy supplement the representations reported in Tientsin's telegram under reference by an approach to the Japanese Embassy at Peiping. If the Embassy should perceive objection to such an approach, the Department desires to be informed thereof.

Sent to Peiping. Repeated to Chungking, Tientsin.

HULL

811.5034 (China) American Radio Service/74: Telegram

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

PEIPING, November 8 [79], 1940—1 p. m.
[Received November 8—9: 02 p. m.]

434. Department's 181, October 31, 7 p. m., American Radio Service. Representations made yesterday to Japanese Embassy here include a request that steps be taken by the responsible Japanese authorities to effect an immediate return of the seized radio equipment and files to the custody of the American Consular Court at Tientsin.

Sent to the Department. Repeated to Chungking. Code text by air mail to Tokyo and by mail to Tientsin.

SMYTH

811.5034 (China) American Radio Service/78: Telegram

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

No. 2988

PEIPING, December 20, 1940.
[Received January 28, 1941.]

SIR: I have the honor to refer to the Embassy's despatch no. 2940 of November 19, 1940,⁸⁹ in regard to the Franco-Japanese seizure on

⁸⁹ Not printed.

September 30, 1940, of radio equipment belonging to the American Radio Service, Tientsin.

There is transmitted herewith, for the Department's further information, a copy of the Tientsin Consulate General's despatch to the Embassy no. 1259 of December 10, 1940, enclosing copies of four germane documents which are described briefly on pages 1 and 2 of the enclosed despatch.⁹¹

In view of the apparent indisposition of the Japanese authorities both in Tientsin and in Peiping to comply with the requests of the Consulate General and the Embassy for the return of the seized radio equipment to the jurisdiction of the American Consular Court at Tientsin, the Embassy is of the opinion that further representations to the Japanese Embassy here would not result in the desired return of the equipment. It is respectfully suggested, therefore, that the Department may wish to have the Embassy in Tokyo take up the matter with the Japanese Foreign Office.⁹²

Respectfully yours,

For the Ambassador:
ROBERT L. SMYTH
First Secretary of Embassy

REPATRIATION OF AMERICAN CITIZENS FROM THE FAR EAST

393.11/2167 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 2, 1940—1 p. m.
[Received October 3—8: 50 p. m.]

1018. Certain apprehensive Americans here inquire [about] evacuation, fearing internment [in] event [of] war. Point out [that] our Emergency Committee, though active, cannot cope with such situation. United States shipping [in] Far East inadequate, vessels [from] Shanghai [to] home practically booked [to] end year.

Sent to the Department, repeated to Peiping, Chungking.

BUTRICK

⁹¹ None printed.

⁹² The Ambassador in Japan, complying with the Department's telegram No. 94, February 8, 1941, 5 p. m., made oral representations to the Japanese Foreign Office on February 13 and, following further instructions, written representations on April 1, but without result (811.5034 (China) American Radio Service/78, 79, 82, 84).

393.11/2168 : Telegram

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

PEIPING, October 3, 1940—3 p. m.

[Received October 4—10 a. m.]

356. During the past few days a large number of Americans here have expressed to the Embassy their serious apprehension over their welfare and safety due to recent international developments, particularly the deterioration in American-Japanese relations. In addition Americans have been perturbed by press reports that Admiral Hart⁹⁸ has been conferring with American authorities at Shanghai in regard to possible evacuation of Americans from China. (This apprehension is no doubt shared by many Americans elsewhere in the Japanese occupied areas of China.) Americans here have expressed the hope that if any measures are contemplated by the American Government which might arouse unfavorable feeling among the Japanese they would like, if possible, some notice by the American authorities in order that they may be able to evacuate.

The Embassy has informed these Americans that while of course no definite assurances could be given that American citizens would receive prior notice of measures by the American Government the State Department and other American authorities were no doubt giving full consideration to all phases of the situation in the Far East, including the safety and welfare of American citizens.

Sent to the Department, repeated to Chungking, Shanghai; code text by airmail to Tokyo.

SMYTH

711.94/1740 : Telegram

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

TOKYO, October 6, 1940—4 p. m.

[Received October 6—9 a. m.]

950. 1. A growing nervousness is evident among American citizens in Japan arising out of the present situation and the prospects of a possible rapid deterioration in Japan's relations with the United States. In the light of the grave uncertainty surrounding the future, American citizens here have already begun to ask my advice with regard to the wisdom of sending their families to the United States and have begun provisionally to explore the question as to measures

⁹⁸ Adm. Thomas C. Hart, Commander in Chief of United States Asiatic Fleet.

which would be taken by our Government to facilitate their repatriation in the event of an emergency.

2. I have admitted the serious potentialities with which the situation in [is] charged but I have indicated that I see no immediate cause for alarm.

3. The consular officers at Osaka and at Kobe have likewise been consulted in this regard by American citizens and we were informed yesterday in strictest confidence by the Manager of the Standard Oil Company here that the company is quietly but firmly requiring the families of all its employees in China and in Japan to return to the United States. We also learn that several British firms have received instructions of a similar nature. Several American newspaper correspondents have arranged upon their own initiative to have their families leave within the next 2 or 3 weeks.

4. I raise the point at the present time not in the belief that it is of immediate import but nevertheless as a question which both the Department and the Embassy will wish to have constantly in mind as developments in connection with Japanese measures further implementing its declared policy of establishing a "new order in greater East Asia, including the South Seas."

5. I need hardly point out, purely as a consideration for the eventual future, the powerful effect which would be created on Japanese consciousness if at a given moment it were to become known, either directly or indirectly, that the Embassy was quietly advising certain categories of American citizens in Japan to return to the United States or that the American Government was exploring possibilities of transportation. As such a move would undoubtedly create a degree of alarm among Americans in Japan it should, of course, not be resorted to unless, or until, an acute situation appeared to be developing. I earnestly hope that such a situation will never eventuate but it would be puerile to deny that such a situation conceivably may develop or that under certain circumstances it may develop rapidly.

6. This telegram is sent not with the thought of seeking present instructions but rather to indicate that I cannot and do not underrate the future possibility of intensified difficulties between the United States and Japan.

GREW

393.1115/4906a : Telegram

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

WASHINGTON, October 6, 1940—2 p. m.

381. The continuance of an abnormal situation in the Far East which has in widespread areas disturbed and interfered with the legiti-

mate commercial, cultural, and philanthropic activities of American citizens and which has adversely affected conditions of order and general living conditions has impelled the Department to the conclusion that the time has come for it to adopt with reference to China (including Manchuria), to Japan (including Kwantung Leased Territory, Korea, and Formosa), to Hong Kong, and to French Indochina an attitude toward passport control and withdrawal of American citizens therefrom similar to that which has been adopted for some time toward these questions with reference to disturbed areas of Europe.⁹⁴ The Department accordingly desires that its diplomatic and consular officers in China, in Japan, in Hong Kong, and in French Indochina quietly inform American citizens in their respective districts of the substance of the preceding sentence and suggest withdrawals in so far as is practicable from the areas in question to the United States. This applies especially in regard to women and children and to men whose continued presence in China, in Japan, in Hong Kong,⁹⁵ and in French Indochina is not considered urgently or essentially needed. There should be pointed out to American citizens the advisability of their taking advantage of transportation facilities while such facilities are available, as it goes without saying that no one can guarantee that such facilities will remain available indefinitely.

In order that this instruction be not misconstrued in any quarter, it is desired that effort be made to avoid publicity in regard thereto and that endeavor be made to preclude the reading into it of sensational implications.

The Department would appreciate receiving from you and from Peiping, Shanghai, Hong Kong, Saigon, and other interested offices an estimate of the number of Americans who will be inclined to heed these suggestions.

Tokyo should instruct Consuls in Japanese territory and Peiping should instruct those in China.

The Department will expect shortly to issue further instructions embodying various administrative considerations.⁹⁶

Sent to Tokyo via Shanghai. Repeated to Peiping, Chungking, and Hong Kong. Hong Kong repeat to Saigon.

HULL

⁹⁴ See vol. II, section entitled "Repatriation of Americans and Others From Belligerent Countries and Assistance to Refugees."

⁹⁵ From later reports the Department estimated that on December 31 there would remain the following dependent women and children of American officers: in China 5 women, 3 children; in Japan 10 women and 5 children; in Hong Kong 2 women and 2 children.

⁹⁶ Notation by the Chief of the Division of Far Eastern Affairs: "Navy Department concurs."

393.1115/4906 : Telegram

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

PEIPING, October 7, 1940—4 p. m.

[Received 9:14 p. m.]

365. Department's 381, October 6, 2 p. m., to Tokyo, withdrawal of Americans from the Far East. The Department's telegram under reference was received this morning and has been repeated by this office to Consuls in China including Mukden and Harbin.

The substance of the Department's telegram is being brought to the attention of American citizens resident in Peiping by confidential circular notice, the only means by which all the numerous Americans here can be readily reached. The Embassy will itself refrain from giving the matter publicity but it is difficult to see how publicity either here or elsewhere in China can be avoided in view of the fact that a large number of Americans will be informed in the premises.

The Embassy will report to the Department as soon as possible the number of Americans in Peiping who desire to withdraw to the United States. In this connection the Embassy understands that all bookings on American steamers from China to the United States are filled for several months to come. If the Embassy may be in a position to reply to inquiries it is respectfully requested that this office be informed whether additional American vessels will be made available to take to the United States those Americans who may wish to return there.

Sent to the Department. Repeated to Chungking, Tientsin, Shanghai, Tokyo.

SMYTH

390.1115A/8c : Telegram

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

WASHINGTON, October 9, 1940—11 a. m.

387. In the light of press despatches from Shanghai, the following information has been given informally and orally to press correspondents here:

In view of the abnormal situation which continues in the Far East, we are taking as we have heretofore taken in regard to the Far East and in regard to different parts of Europe, precautionary steps for the safety of American citizens by suggesting that especially women and children and men who are not detained by essential or urgent considerations consider coming out of various disturbed areas. American Consuls are pointing out to American citizens the advisability

of utilizing transportation facilities which are now available. The Consuls have been asked to inform the Department of the numbers of Americans who are coming out or considering coming out. This is a continuation of the policy we inaugurated in regard to the Far East in 1937⁹⁷ and in regard to Europe last year. (This applies to Japan, China, Hong Kong, Indochina, Manchuria, Kwantung Leased Territory, Korea, and Formosa.)

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping, Hong Kong, and U. S. High Commissioner, Manila. Tokyo inform Consuls in Japanese territory. Peiping inform Consuls in China, including Manchuria. Hong Kong repeat to Saigon and Hanoi.

HULL

390.1115A/1 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 9, 1940—4 p. m.

[Received October 9—1:05 p. m.]

1058. Department's 381, October 6, 6 [2] p. m. to Tokyo, withdrawal of Americans from the Far East. In addition to those booked to sail on American President Lines vessels now fully booked for this year on present schedules, conversations with heads of American missions and firms here indicate that approximately 1000 Americans principally women and children would leave this consular district immediately if transportation were available. Probably another 200 unable to defray cost of their own passages would leave if free passages or loans were made available. Missions and firms are not inclined in most cases to request [their?] male employees to leave except for reasons of health or because regular leave is due in near future.

There are approximately 400 Philippine citizens in Shanghai and instructions are requested whether they should be advised to leave for the Philippines. At least 80 percent of the Filipinos here would be unable to pay their own passage and would require assistance.

The number of persons who will evacuate will depend largely on the trend of events, particularly when ships are scheduled to sail. In this connection, if at any future time the United States Marines should be ordered out of Shanghai, it is suggested that if possible the announcement be made a few days prior to homeward sailings of vessels of the space available.

Sent to the Department; repeated to Chungking, Hong Kong and Manila High Commissioner.

BUTRICK

⁹⁷ See *Foreign Relations*, 1937, vol. iv, pp. 236 ff.

390.1115A/67

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

[WASHINGTON,] October 9, 1940.

Mr. Morishima, Counselor of the Japanese Embassy, called at his request. He said that the Embassy had just received instructions from the Japanese Foreign Office requesting that the Embassy make inquiry of the Department in regard to the instructions which the Department of State had, according to the press, sent to American diplomatic and consular officers in various parts of the Far East in regard to the question of withdrawal of American citizens. I inquired whether Mr. Morishima had not seen the press reports in regard to this matter. Mr. Morishima replied in the affirmative and said that his Government was interested in receiving information as to the accuracy of the press reports. I replied that the statements in the press covering information communicated by the Department to representatives of the press was substantially correct. I said that the Department had, in view of the continuance of an abnormal situation in the Far East, issued instructions to American diplomatic and consular officers in China, in Japan, in Hong Kong, and in Indochina to suggest to American citizens, especially women and children and men who are not detained by essential considerations, that they come out of disturbed areas. I said that the Department's instructions constituted the taking of precautionary steps for the safety of American citizens and were in general conformity with action previously taken in the Far East and in different parts of Europe.

Mr. Morishima said that in the Embassy's telegram from the Japanese Foreign Office there was contained the statement that the Japanese Foreign Office considered that the steps being taken by this Government toward suggesting the withdrawal of certain categories of American citizens might add to the general feeling of uneasiness. Mr. Morishima continued that he understood that either the Japanese Vice Minister for Foreign Affairs⁸⁸ or the Foreign Minister⁸⁹ had discussed this phase of the matter with Mr. Grew. I made no comment.

M[AXWELL] M. H[AMILTON]

⁸⁸ Chuichi Ohashi.

⁸⁹ Yosuke Matsuoka.

390.1115A/13 : Telegram

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

Tokyo, October 11, 1940—5 p. m.

[Received October 11—11:15 a. m.]

973. Department's 381, October 6, 2 p. m. My 962, October 9, 7 p. m.¹ It is becoming increasingly clear that the news that the American Government is suggesting the withdrawal of some of its nationals from Japan and other Far Eastern areas is having a marked effect upon the Government and people here. The impression cannot be escaped that the Japanese are for the first time shocked into the realization that the initiative as to whether there shall be war or peace between the United States and Japan may no longer rest with them. This is a totally new conception and it is giving them pause to think. One of the major advantages heretofore enjoyed by such countries as Germany, Italy, Soviet Russia and other predatory nations, into which category Japan must now be included, has lain in their knowledge that the decision as to whether and when they shall strike has always been within their control. It has been accepted as axiomatic that non-predatory nations would confine themselves to defense measures until attacked. In such light has been regarded the news concerning our extensive defense program, the rumors of consultative talks between the British, the Australians and ourselves, and other precautionary measures.² These measures have been followed closely and with respect but they have been regarded here as purely in the light of policy and as constituting per se no special threat to Japan. There is, however, reason to believe that the present move to withdraw American nationals from Japan has shaken the confidence of the Japanese and that their sense of security that the United States will not take the initiative unless first attacked is being undermined.

Sent to the Department. Repeated to Shanghai. Shanghai please air mail code text to Chungking and Peiping.

GREW

390.1115A/38a : Telegram

The Secretary of State to the Consul at Shanghai (Butrick)

WASHINGTON, October 14, 1940.

476. The Department tonight gave the following statement to the press:

¹ *Foreign Relations, Japan, 1931-1941*, vol. II, p. 114.

² See also pp. 565 ff.

"The American steamships *Monterey* and *Mariposa* of the Matson Line and the *Washington* of the U. S. Lines are being despatched to the Far East for the purpose of repatriating Americans. The *Monterey* will sail from Los Angeles October 16th for Honolulu and will carry equipment and supplies for the *Mariposa* which is now enroute to Honolulu from New Zealand. The *Monterey* will leave the supplies for the *Mariposa* at Honolulu and proceed to Chinese and Japanese ports. The *Mariposa* will transfer her cargo and passengers at Honolulu and return to Australia and New Zealand stopping enroute at Chinese and Japanese ports to take on Americans there desiring repatriation. The S. S. *Washington* is being prepared for a special journey to China and Japan to provide additional accommodations for Americans there desiring repatriation. She is expected to leave New York Saturday, October 19 and will go via the Panama Canal."

Repeat to Chungking, Hongkong, Hanoi and Tokyo.

HULL

390.1115A/76a : Telegram

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

WASHINGTON, October 19, 1940.

409. Department has released following statement to the press today:

[Here follows text of statement regarding sailings of S. S. *Monterey* and S. S. *Mariposa* to evacuate Americans in the Far East, printed in Department of State *Bulletin*, October 19, 1940, page 318.]

American Embassy in Tokyo inform consuls in Japanese territory. American Embassy in Peiping inform consuls in Chinese territory. Consuls concerned should inform all American citizens in their districts and should suggest to them again that they consider taking advantage of available shipping facilities and of these additional facilities being provided.

Sent to Tokyo via Shanghai. Repeated to Peiping, Chungking, Hong Kong and HiCom at Manila.

HULL

390.1115A/74 : Telegram

The Consul at Shanghai (Butrick) to the Secretary of State

SHANGHAI, October 21, 1940—5 p. m.

[Received October 21—10:50 a. m.]

1126. Evacuation of Americans from Shanghai. The American President Lines acting as agents inform me that the vessels of the

Matson Line will charge \$395 for minimum first class accommodations, all regular first and second class accommodations will be considered first class, which establishes the minimum first class rate for the poorest second class accommodations; that the vessels of the United States Lines will charge \$450 for minimum first class accommodations, that all regular first, second and third class accommodations will be considered first class which establishes the minimum first class rate for the poorest third class accommodations. Both ships apparently have slightly lower fares for dormitories (possibly improvised, with cots).

I feel that I ought to inform the Department that there exists deep dissatisfaction among the Americans here with the above arrangements and that the evacuation program may fail, for the present at least, unless greater consideration is given to the matter of adjusting fares downward, according to accommodations supplied. Some Americans can afford first class accommodations, many cannot.

Americans here are loyal and patriotic. They feel that the present evacuation advice should be heeded because it is a part of American national policy. By and large they do not feel that they are in immediate danger and they leave their homes here with reluctance. Many of them are selling their motor cars, household furnishings, et cetera, at a great loss. Many Americans will undergo the heavy expense of maintaining themselves here and their families in the United States. Many of the missionaries on returning to the United States will become public charges on their missions and possibly even be dismissed. The problem for many Americans is a serious one, possibly even implying at a future date loss of their businesses or employment. Americans in general recall that their Government over a period of years has encouraged them to come to China in the furtherance of American export trade and American missionary and philanthropic enterprises. This encouragement has been expressed through the maintenance of the open-door policy, the system of extra-territoriality, the passage by Congress of the China Trade Act,³ the establishment of export credits and the general protection afforded Americans and American business. Local Americans will pay fares that seem reasonable to them but they will, I fear, resent being charged high fares at a time when they feel they are assisting the national policy and their personal fortunes are being jeopardized.

All career officers have read this message and concur.

Sent to the Department. Repeated to Chungking and Peiping.

BUTRICK

³ Approved September 19, 1922; 42 Stat. 849.

390.1115A/78: Telegram

*The First Secretary of Embassy in China (Smyth) to the Secretary of State*PEIPING, October 22, 1940—11 a. m.
[Received October 22—3:45 a. m.]

394. Shanghai's 1126, October 21, 5 p. m., withdrawal of Americans from Shanghai. The staff of the Embassy here is in complete and thorough accord with the views expressed by Mr. Butrick.

News of the rates mentioned in Shanghai's telegram was received here last night over a Shanghai radio broadcast and has already had a most serious effect on the local withdrawal program. Travel agencies here report that this morning a number of Americans who had made reservations have stated that they must cancel them if the rates are not reduced. I would not be frank if I did not say that news of these rates has aroused bitter criticism and resentment among local Americans. Americans here at first were greatly appreciative of the action of the Government in arranging for the sending of special steamers to facilitate their withdrawal. A number are now saying that those Americans who are loyally heeding the Government's suggestion to withdraw are being made to suffer through these excessive rates, when they had naturally expected that in this emergency they would receive consideration in the form of reduced rates.

The Embassy here strongly urges that immediate action be taken to reduce the rates in question; if this is not done, it is highly possible that the withdrawal program here will practically come to an end, except for those few persons whose passage is paid by the Government or by the larger business firms.

Sent to the Department. Repeated to Chungking and Shanghai.

SMYTH

390.1115A/93: Telegram

*The Ambassador in China (Johnson) to the Secretary of State*CHUNGKING, October 23, 1940—11 a. m.
[Received October 23—7:50 a. m.]

538. Shanghai's 1126, October 21, 5 p. m. and Peiping's 394, October 22, 11 a. m. I endorse views expressed by Shanghai regarding rates to be charged evacuees. I suggest that if private shipping company insists on regular fares the Government should bear part thereof thus relieving evacuees. It is unreasonable to expect evacuated American citizens to sacrifice personal businesses and belongings and at the

same time penalize them when they are patriotically attempting to comply with the Government's desires.

Sent to the Department. Repeated to Peiping, Shanghai.

JOHNSON

390.1115A/96: Telegram

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

TOKYO, October 23, 1940—3 p. m.

[Received 4:20 p. m.]

1033. Department's 381, October 6, 2 p. m. The following is submitted in respect to Japanese relatives of American citizens who may evacuate from Japan.

Registration and other data in our Consulates show 6,300 American citizens in Japanese Empire consisting of 2,300 Caucasians and 4,000 of Japanese race. Registration records of Caucasian Americans are reasonably complete but it is believed there are considerably more citizens of Japanese race than indicated by above figures. Unofficial Japanese estimates are far above our figures and it seems safe to conclude that over 80% of total Americans in Japanese Empire are persons of Japanese race. The greater majority of these are unmarried students of military age with dual nationality seeking Japanese education, many with close relatives in Japan. Of the remainder some are employed by American enterprises but usually in subordinate capacity, employment generally having been obtained after arrival. American employment is not necessarily proof of loyalty. There is also a small number of Caucasian Americans with Japanese spouses and offspring.

Thus far very few American citizens of Japanese race or with Japanese spouses have indicated a desire for early evacuation but should they wish to leave later the question of splitting up families will arise. This is problem of considerable importance because Japanese relations are ineligible for immigration visas or naturalization and legally at least may become enemies.

It is believed possible that the Department may have worked out a policy in connection with evacuation from Europe which is applicable to Far East, particularly Japan. If no policy already adopted, please advise if special attitude is to be taken by consuls in Japanese Empire with regard to possible visa applications of: (1) Caucasian; and (2) Japanese relatives of departing American citizens including alien spouses, children, parents and minor brothers and sisters.

Sent to the Department via Shanghai.

GREW

390.1115A/97: Telegram

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

WASHINGTON, October 24, 1940—6 p. m.

419. Your 1044, October 24, 4 p. m.⁴ You will note from yesterday's Radio Bulletin⁵ that arrangements have been made to provide accommodations at first and second class fares the same as those regularly charged from Yokohama to the Pacific coast by vessels of the trans-Pacific conference except that a substantial reduction is to be made in both classifications for emergency accommodations. As it was necessary for the Department, in order to make the vessels available, to guarantee the shipping company against loss, it will be readily understood that these arrangements have involved substantial financial commitments by the Government amounting to a minimum of several hundred thousand dollars.

The Department has the utmost sympathy for the difficulties which many Americans will face in withdrawing to the United States but is nevertheless constrained to point out that the accommodations provided are available either at the regular conference rates or at reduced rates for emergency accommodations, and that the fares being paid by American citizens are insufficient to pay more than approximately half of the actual cost of the transportation and are proportionately far less, considering the length of the regular trans-Pacific voyage, than fares paid by Americans withdrawing from Europe.

The Department desires that the Consuls in Japan without delay suggest urgently to Americans, especially women and children and men who are not detained by essential reasons, that, in reference to the forthcoming call of the *Monterey* at Yokohama, they take advantage of transportation facilities while such facilities are available, as it goes without saying that no one can guarantee that such facilities will remain available indefinitely. Please instruct the Consul General at Keijo to take similar action in regard to the Americans in his district. Please inform him that it appears impracticable for either the *Monterey* or the *Mariposa* to call at Jinsen because additional diversions would entail serious problems as, for example, in regard to water supplies. The Department believes, in this connection, that Americans in large number withdrawing from Korea will find it less inconvenient to proceed to Japan where the availability of hotel accommodations is undoubtedly greater than in Jinsen.

⁴ Not printed.

⁵ For press release issued by the Department October 23, see Department of State *Bulletin*, October 26, 1940, p. 339.

The Department is communicating with Matson Line officials in regard to the question of giving notice to the Japan and China offices of the American President Lines in regard to the fares.

Please repeat urgently to Peiping for telegraphic communication to and guidance of offices in China, Hong Kong and Indochina.

HULL

390.1115A/121 : Telegram

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

SHANGHAI, October 26, 1940—2 p. m.

[Received 7 p. m.]

1154. Following is a summary of a letter received by the Consulate from the Chairman of Board of Managers of Shanghai American School.

Board of Managers of Shanghai American School on October 18 decided that school authorities would support the Government's withdrawal plans and would apply them to their teachers. This involves closing the school in the near future and although it was impossible to fix a definite date for closing further information will be given to parents as situation develops.

This announcement appeared in the local press on October 19 and 20. On October 21 the school received two proposals from British schools to rent a part of its premises. The American school is naturally interested in a proposition which would bring in income from unoccupied buildings after the school is closed. However, information reaching the American public in Shanghai and particularly parents of American school pupils that British schools propose to carry on while Americans leave carries distressing implications as to the wisdom of the American school's policy. In other words, if Shanghai is safe for British children, why is it not safe for American children?

This query is important for the school and also affects the willingness of Americans to comply with the Government's evacuation advice. It seems advisable that this situation be brought to the attention of the Department of State.

At a meeting yesterday the Executive Committee of the school's Board of Managers decided not to change their previously announced policy of closing the school but no date for the closing has been fixed. It is further learned that the offers received to rent the school still stand in spite of the advice of the British authorities to certain British nationals regarding withdrawal from China.

Sent to the Department, repeated to Chungking and Peiping.

LOCKHART

390.1115A/137: Telegram

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

Tokyo, October 27, 1940—noon.

[Received October 30—10:30 p. m.]

1062. For some little time before the radio and circularization of the Department's 381, October 6, 2 p. m., suggesting evacuation, Americans have been liquidating their affairs and departing for home. This exodus has been stimulated by the Department's 381 but the number who have already left or are preparing to leave on the relief ships now en route is not large. It includes practically no Americans of Japanese race and probably less than 20 percent of Caucasian Americans with established residences in Japan. Those who have recently left and those planning to leave before the end of the year fall into three main categories:

(a) Missionaries and teachers. This group has been under steadily increasing pressure from the Japanese and due to recent ruling that foreigners can not occupy positions of authority over Japanese in church organizations and in missionary sponsored educational establishments, and that no funds will be accepted from abroad for work in these field[s], many missionaries and teachers have either resigned or have been dismissed. Some, badly disillusioned, have returned or are about to return to the United States but a majority are still remaining in the hope that the present period of oppression may pass. Some missionaries fully intend to go eventually but need time for the orderly liquidation of their affairs, some being morally responsible for sizeable investments of American capital. Also they do not wish to flee in a manner that might have harmful effect upon Japanese Christians.

(b) Women and children. Some in this group are going simply because they are nervous; others, especially mothers with small children, are leaving because life has become difficult owing [to] difficulty [of] securing milk, eggs and special baby foods and supplies.

(c) Business men and their families. Financial and trading restrictions are already severe and growing worse. Bulk of imports consists of goods destined for military purposes or essential industrial raw materials needed for reasons [of] national economy. Japanese shipping, banking and trading firms have practical monopoly on all of this business. American business men and their families who have left or are planning to leave are taking this course largely because there is little or no business left for them.

Included in this business category are the wives and dependents of the various branches in Japan of the National City Bank and

Standard-Vacuum Oil Company. Small group of wives and children of these two concerns left fortnight ago. The oil women left on direct orders from New York office and presumably this was also case with bank families. Incidentally it is reported that a further order from bank headquarters has been received directing prompt departure of remaining women and children of bank, including wife [of] Far Eastern supervisor.

Americans in Japan are much calmer than those in China, and in my opinion it will take more than mere suggestions to move many of them. It is reported, without confirmation, that the American school at Peiping has already announced its closing and the school in Shanghai is expected to follow suit at any moment. In Japan, on the other hand, the Canadian Academy at Kobe, the leading school in the [country?] for primary and secondary education of English speaking children, announced after recent poll of parents that, out of total enrollment of 202 children, 22 have left or are known to be planning to leave in next 30 days, 14 are undecided, and 159 have definitely stated that they expect to continue as long as teaching facilities are available. The American school [here?] reports similar conditions. It expects to lose approximately 20% of total enrollment by end of year.

On the Asiatic mainland (especially Korea and North China) several hundred American citizens are reported to be anxiously awaiting evacuation ships, while in Japan, in spite of prompt and wide publicity given to Department's evacuation messages, less than 50 persons have actually made definite plans to sail on *Monterey*, the first evacuation ship due here in 3 days.

Some reasons why very few Americans outside Japan are sailing on *Monterey*:

(a) Poor teamwork between Matson, Maritime Commission and American President Lines with result that latter received particulars of fares, accommodations, et cetera, at 11th hour.

(b) The tentative fare originally mentioned, namely minimum of \$450, was considerably higher than normal charge for direct trans-Pacific journey and beyond the means of many people. The biggest group of our Caucasian citizens are merchants and teachers and members of this group customarily travel second or tourist class. The reduced rates later authorized are reasonable but unfortunately came too late for many potentially interested families.

(c) The trip home via China, Hong Kong, Manila and Australia is too long for business executives and also for women with small children used to plenty of servants but now unable to take along Japanese nurses and governesses.

(d) It is understood that the vessel will not accept household effects or other freight and people with valuable furnishings, libraries, etc.,

do not wish to leave such property behind when conditions are tense and their return uncertain.

(e) Bona fide residents of Japan travelling directly to America may secure without special authorization the foreign exchange equivalent of five [500?] yen, that is approximately \$115, but this privilege is not open to travellers proceeding to Shanghai and Hong Kong. The *Monterey's* call at these ports is incidental to return voyage to America but Japanese officials are inclined to interpret regulations strictly and refuse exchange permits to intending passengers of *Monterey*. Embassy is taking this matter up informally and hopes for some relief but even if representations [are] successful, the reaction will come too late for some who might otherwise have embarked on *Monterey*.

Sent to the Department via Shanghai.

GREW

390.1115A/146a : Telegram

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

WASHINGTON, October 28, 1940—4 p. m.

518. Hankow's October 23, 10 a. m. to Shanghai.⁶ At this time when the Department is declining to issue or validate for travel to certain areas in the Far East including China passports of American women and children and men whose presence in those areas is not considered urgently or essentially needed, it goes without saying that American consular officers should not apply to the Japanese authorities for permits or facilities for Americans of the categories mentioned to travel to interior points in China.

Sent to Shanghai. Repeated to Peiping, Chungking and Hankow.

HULL

390.1115A/144 : Telegram

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

WASHINGTON, October 28, 1940—6 p. m.

428. 1. For the purpose of making loans to American citizens for their transportation expenses on any American vessel in withdrawing to the United States, the following allotments are granted: To the Embassy at Tokyo, 10,000 dollars, to the Embassy at Peiping 25,000 dollars, and to the Consulate General at Hong Kong, 5,000 dollars. The Embassies at Tokyo and Peiping may reallocate sums from their allotments as may be necessary to offices under their jurisdiction. Each office receiving funds and advancing loans should render separate ac-

⁶ Not printed.

counts, draw separate drafts. Offices in Japan charge authorization number 75, 1941. Offices in China charge authorization number 76, 1941. Hong Kong charge authorization number 77, 1941. Should the amounts hereby allotted prove insufficient, the Embassies at Tokyo and Peiping and the Consulate General at Hong Kong may submit requests for specified additional amounts together with indication number of Americans for whom the additional funds are desired.

2. These funds are granted by the Department from the limited emergency funds at its disposal, which funds are already obligated to a considerable extent by the guarantee against financial loss which the Department has been obliged to give in connection with the dispatch of the three additional ships now proceeding to the Far East for the withdrawal of Americans. Every care must be exercised to keep the monies advanced from these allotments to the lowest possible minimum, with thorough investigation being made in each case to determine funds which applicants may possess or be able to obtain. Those who can pay part of their transportation will, of course, be required to do so. Loans for partial or complete cost of transportation should cover only lowest price accommodations available.

3. Loans are only to be made for personal transportation, including transportation to port of embarkation, against promissory notes in accordance with Paragraphs 20 to 22 of the memorandum accompanying the Department's confidential instruction of March 21, 1939.⁷

4. Loans may be granted only to bona fide Americans, whose citizenship is fully established by passport or by registration. Loans may include transportation expenses for accompanying alien spouses and unmarried minor children provided such alien relatives are properly documented for admission into the United States after having been found admissible under the immigration laws. In the latter connection attention is particularly invited to the public charge provisions of the immigration laws. Funds provided for loans are not to be used in facilitating the admission into the United States of aliens who may become objects of public charity even though they be members of the immediate families of American citizens.

5. Persons resting under un rebutted presumption of expatriation are not entitled to protection or to loans and passports may not be issued under Rule (g) pending proof of completion of arrangements for return to the United States for permanent residence, including transportation arrangements for which loans are not to be advanced. Persons who have the nationality of the United States and of the country of their residence and who are not bearers of American pass-

⁷ Printed in *Foreign Relations*, 1939, vol. 1, in section I under "Repatriation of Americans and Others From Belligerent Countries."

ports or currently registered should file applications for registration which should be forwarded to Washington for usual investigation prior to any other action including extension of loans. American citizens of alien extraction who are bound by family ties to aliens ineligible to citizenship or otherwise inadmissible under the immigration laws may not properly be assisted in returning to the United States under circumstances which would constitute virtual desertion of their family obligations. American citizens of alien extraction who are occupationally engaged or politically involved in activities which are considered to be contrary to the interests of the United States may not be considered as possessing any claim upon the Government of the United States for financial or other assistance. It is believed that the same general principles should apply in regard to most questions involving American citizens of alien extraction which may arise in connection with other phases of the general problem of assisting Americans to return to the United States.

6. Loans are not authorized for Philippine citizens who must look to the Commonwealth Government for such financial assistance as they may need.

It is definitely not an obligation nor is it the policy of the Government to provide transportation at its expense for Americans abroad to return to the United States. These are basic principles which the Government has followed for many years in extending assistance to Americans abroad. They are to be borne in mind in making disbursements of the funds herein allotted by the Department for loans. Persons who have funds or who can obtain them from relatives, friends or employers, are expected to provide their own transportation expenses and should be refused loans. Those who are in the service of business, or other organizations of any kind, and who may apply for loans, should be directed to the responsible heads of their organizations for funds for transportation expenses.

The foregoing should be repeated by the Embassy at Tokyo to the officers in Japanese territory and by the Embassy at Peiping to officers in China (including Manchuria) and Hong Kong.

Sent to Tokyo via Shanghai. Repeated to Peiping and Chungking.
HULL

390.1115A/121 : Telegram

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

WASHINGTON, November 1, 1940—5 p. m.

533. Your 1154, October 26, 2 p. m. It is believed that the Department's previous telegraphic instructions in regard to the suggested

withdrawal of certain categories of American citizens from certain areas in the Far East provide a basis upon which you may in your discretion make appropriate replies to queries such as that raised in the letter from the Shanghai American School which you summarize in your telegram under reference.

For example, it was stated in the Department's 381, October 6, 2 p. m. to Tokyo, that the policy being adopted in this connection was due to the continuance of an abnormal situation in the Far East which has in widespread areas disturbed and interfered with the legitimate commercial, cultural, and philanthropic activities of American citizens and which has adversely affected conditions of order and general living conditions. In the Department's 387, October 9, 11 a. m. to Tokyo, it was indicated that the suggested withdrawals were in the nature of precautionary steps for the safety of American citizens such as have heretofore been taken in regard to the Far East and in regard to different parts of Europe. In the Department's 419, October 24, 6 p. m. to Tokyo, it was indicated that the Department has the utmost sympathy for the difficulties which many Americans will face in withdrawing to the United States and that in order to alleviate those difficulties to the extent possible it has undertaken substantial financial commitments in arranging for special steamer transportation facilities for Americans returning to the United States, but obviously is not authorized to finance schools and other institutions.

The policy which this Government has adopted in regard to the suggested withdrawal of American citizens reflects, as has American policy in regard to the Far East in the past consistently reflected, a direction of action undertaken independently to meet the needs of the situation from the point of view of the interests of this country. The Department is not, of course, in position to offer comment in regard to the reported parallel or similar action taken by the British Government in suggesting that certain British subjects withdraw from certain areas in the Far East.

Sent to Shanghai. Repeated to Peiping, Chungking.

HULL

390.1115A/96: Telegram

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

WASHINGTON, November 4, 1940—6 p. m.

443. Your 1033, October 23, 3 p. m. In answer to your inquiry regarding policy to be followed in connection with withdrawal Americans from Far East you should be governed by paragraph 5 of the Department's 428 of October 28, 6 p. m., on the subject of loans.

HULL

390.1115/64a : Telegram

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

WASHINGTON, November 8, 1940—6 p. m.

458. The Department desires that the additional facilities for transportation to the United States provided by the S. S. *Mariposa* on the vessel's forthcoming calls at Shanghai, Chinwangtao, Jinsen and possibly Kobe, be brought to the attention of Americans, especially women and children and men who are not detained by essential reasons, and that it be suggested urgently to them that they take advantage of transportation facilities while such facilities are available, since it cannot, of course, be guaranteed that such facilities will again be made available. It should also again be pointed out that the Government has undertaken substantial financial commitments in order to provide additional vessels to enable Americans to return and that the fares charged on those vessels, including the *Mariposa*, are only the regular fares charged for comparable accommodations in the transpacific passenger trade, with even lower rates for emergency accommodations on board.

Peiping inform all offices in China.

Tokyo inform all offices in Japanese territory.

Sent to Tokyo via Shanghai. Repeated to Chungking, Peiping, Hong Kong and Manila.

HULL

390.1115A/201

The Secretary of State to Dr. A. L. Warnshuis, of the International Missionary Council, New York

WASHINGTON, November 13, 1940.

MY DEAR MR. WARNSHUIS: The Department is in receipt of information to the effect that a considerable number of American missionaries in the Far East are desirous of heeding the suggestion recently made by the Department that Americans in China (including Manchuria), Japan (including Korea), Hong Kong and French Indochina withdraw to the United States, but that they lack the authorization of their mission boards and sufficient funds from those boards to return.

The Department's suggestion for the withdrawal of Americans, particularly women and children and men whose services are not considered urgently or essentially needed, was made in view of the con-

tinuance of an abnormal situation in the Far East which has adversely affected general living conditions and conditions of order and has disturbed and interfered with the legitimate commercial, cultural and philanthropic activities of American citizens.

As the regular steamship lines serving the Far East were booked to capacity for some time to come, the Department, in order to provide additional transportation facilities for Americans withdrawing, arranged for the dispatch to the Far East of three special ships, the *Monterey* which has already called at Yokohama and Shanghai, the *Mariposa* which is en route now from Shanghai to Chinwangtao, Jinsen and Kobe, and the *Washington* which is now en route to Shanghai and possibly other ports in the Far East. The fares for passage on board these ships have been established at rates equal to those for similar accommodations on regularly-operated ships in the transpacific passenger trade, with lower rates being charged for emergency accommodations on board. The arrangements for the dispatch of the three ships have involved a considerable commitment by the Government to cover financial loss incurred by the steamship companies operating their vessels on these special voyages and, as a loss of a minimum of several hundred thousand dollars will result, passengers will receive transportation at less than actual cost.

In view of the situation in the Far East as above indicated and considering the expensive arrangements which the Government has made to furnish sufficient shipping for withdrawal and the advisability of American citizens taking advantage of transportation facilities while such facilities are available, the Department earnestly hopes that Americans in the areas in the Far East mentioned will heed its suggestion that they return to the United States. Toward that end it is equally hoped that the church authorities will speedily consider the granting of the necessary authorization and funds to permit the return to the United States of those members of their organizations in the Far East who desire to heed the Department's suggestion for their withdrawal.

The Department will appreciate it if you will kindly bring the foregoing to the attention of the various Protestant missionary boards in the United States.³

Sincerely yours,

For the Secretary of State:
BRECKINRIDGE LONG
Assistant Secretary

³ An oral statement along similar lines was made on November 15 by the Chief of the Division of Far Eastern Affairs (Hamilton) to the General Secretary of the National Catholic Welfare Conference, Washington.

390.1115A/209 : Telegram

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

WASHINGTON, November 14, 1940—5 p. m.

475. Your 1144, November 13, 8 p. m.⁹ In view of your statements and recommendation contained therein *Washington* will not call at Japanese port and will proceed only to Shanghai and Manila.

The Department understands difficulties mentioned by you in obtaining full bookings for the special ships. With respect to the matter of the reluctance of missionaries to leave, the Department has had interviews with leaders here of several of the large missionary organizations and has now written to representatives of both the Protestant and Catholic church councils expressing the hope that they would speedily consider the granting of necessary authorization and funds to permit the return to the United States of those members of their organizations in the Far East who desire to heed the Department's suggestion for their withdrawal. With respect to the short period of time which the approaching arrival of the special ships has allowed for the making of arrangements by Americans to embark on board, while that is appreciated, it was necessary for the Department to take speedy action to make additional shipping available following its suggestion for withdrawal of citizens and to make use of the only vessels it could obtain at the time.

Sent to Tokyo via Shanghai.

WELLES

390.1115A/232 : Telegram

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

SHANGHAI, November 20, 1940—4 p. m.

[Received 9:40 p. m.]

1280. 1. With the departure of the *Washington* this afternoon 839 Americans have evacuated Shanghai on the 3 special ships sent here for that purpose. 436 embarked on the *Washington*. An estimated additional 216 have left on the regular President Lines sailings, together with 96 on the Canadian Pacific, making a total of 1151. Also a few, approximately 10, left on Japanese vessels.

2. The Department's withdrawal advice was communicated by the Consulate General on three different occasions in circular instructions

⁹ Not printed. The Ambassador in Japan reported that the time before the S. S. *Washington* was due was not sufficient for Americans to arrange to leave and also that missionary group was especially unwilling to leave. He recommended that the ship should not call at Japan.

to all registered Americans in this consular district and by frequent interviews and through the medium of deportation. Except in certain groups in missionary circles there has been a satisfactory response. Business people in large numbers have responded by sending their families home and the only complaint was that voiced in the beginning both among business men and missionary groups against the schedule of fares to be charged. This dissatisfaction, however, quickly disappeared so far as Shanghai was concerned when the rental of transpacific fares were established for the evacuation ships.

3. The opposition in certain missionary groups appears to be based on a desire to defer withdrawal to await more specific signs of a crisis rather than an outright ignoring of the Department's advice. It is believed that many more missionaries will withdraw within the next 2 months. It has been made plain to these groups that facilities might not be available later. Missionaries in the interior are apparently more prone to remain than those here.

4. Steamship representatives saw no justification and rightly so I believe for the complaints lodged in Korea in connection with the travel facilities made available to the American missionaries there. The Matson Line put at the disposal of a large number of special class passengers superior accommodations on the *Mariposa* at special class fares and gave them all first class privileges. It seems to me all the steamship companies have done an excellent evacuation job and certainly they have shown, so far as this office is concerned at least, a cooperative spirit throughout a rather harassing undertaking. Both the Matson Line and the United States Lines sent special representatives here from their home offices and the American President Lines cooperated with them in every possible way [apparent omission] lines with this Consulate General [to its?] complete satisfaction.

Sent to the Department. Repeated to Chungking and Peiping, by air mail to Tokyo.

LOCKHART

390.1115A/233 : Telegram

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

WASHINGTON, November 25, 1940—8 p. m.

497. Reference paragraph 6, Department's 428, October 28, 6 p. m., regarding financial assistance for Philippine citizens desiring repatriation to the Philippines. Following from High Commissioner, Manila:

"816, November 20, noon. Reference third paragraph your 278, October 15.¹⁰ Office President Philippines was confidentially approached on the subject repatriation Filipinos from Hong Kong and Shanghai. Reply received which states that office of President of Commonwealth 'would consider the repatriation of Philippine citizens from the danger areas above mentioned, but the funds therefor could only be made available after this office shall have been satisfied of the merits of each individual case. It will, therefore, be appreciated if the American consular officers concerned can be requested to transmit to us, through your office, their findings relative to the condition and welfare of every Philippine citizen desiring to return to the Philippines and their recommendations on the matter.'"

Officers will be guided accordingly.

The foregoing should be repeated by the Embassy at Tokyo to the officers in Japanese territory and by the Embassy at Peiping to the officers in China (including Manchuria) and Hong Kong. Hong Kong repeat to Saigon.

Sent to Tokyo via Shanghai. Repeated to Peiping and Chungking.

HULL

390.1115A/263 : Telegram

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

CHUNGKING, December 3, 1940—2 p. m.

[Received 2:40 p. m.]

601. Shanghai's 1304, November 26, 3 p. m.,¹⁰ paragraph 2.

1. I have learned from American missionary sources that a Sino-American committee has been formed in Chungking under chairmanship of Dr. H. H. Kung¹¹ for the purpose of fostering the removal from the occupied to the unoccupied areas of American missionaries; that Chinese Government has given assurances that it will facilitate the movement into the unoccupied areas of American missionaries even to the extent of furnishing them with transportation; that it is estimated that about 400 American missionaries, apparently all men, are willing to participate in the movement to the unoccupied areas and that for the present the proposed transfer is in abeyance pending the receipt of instructions from the home boards of the missionaries concerned.

2. I may say that the Chinese authorities and the American missionaries concerned have taken the action set forth above without reference to this Embassy and presumably with full knowledge of the

¹⁰ Not printed.

¹¹ Chinese Minister of Finance.

fact that official advice to American nationals to withdraw included the unoccupied areas.

Sent to the Department. Repeated to Peiping, Shanghai.

JOHNSON

390.1115A/263 : Telegram

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

WASHINGTON, December 12, 1940—10 p. m.

206. Your 601, December 3, 2 p. m. The Department realizes that a real need may exist for some additional personnel in American organizations in west China, including organizations which are performing essential services on behalf of Chinese interests. It would seem, however, that there are a number of important considerations supporting the view that it would not be advisable for missionary organizations to undertake at this time a substantial personnel expansion in west China involving the transfer to that area of a large number of missionaries. Among the considerations in question are those involved in the Department's action earlier in the year in suggesting that American citizens in west China withdraw therefrom in so far as practicable while transportation facilities through Indochina remained available, and the more recent suggestions that American citizens of certain categories withdraw from all of China and certain other areas of the Far East. It is to be noted in this connection that the route of travel through Indochina is no longer available, that the remaining routes of ingress to and egress from west China are difficult and hazardous, and that Japanese aerial activities continue.

The Department is asking the International Missionary Council in New York to bring this matter to the attention of the various interested mission organizations, and it is suggested that you may wish to discuss it along the above lines with representative American missionaries in Chungking.

Sent to Chungking. Repeated to Peiping and Shanghai.

HULL

CHINA

(See *ante*, pp. 251-955.)

JAPAN

POLITICAL DEVELOPMENTS IN JAPAN¹

894.00/892 : Telegram

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

TOKYO, January 15, 1940—5 p. m.
[Received January 15—10 : 52 a. m.]

20. Our 19, January 14, 9 p. m.²

1. The appointments definitely fixed thus far in the Cabinet now being organized by Admiral Yonai³ are: Arita⁴ as Minister for Foreign Affairs and Admiral Yoshida,⁵ who is to retire, the naval portfolio. It is expected that General Hata will remain as Minister of War. It is understood that some of the other Cabinet posts have been tentatively filled, but that the Ministries of Finance, Commerce and Industry, and Agriculture and Forestry within whose jurisdiction lie the fiscal and economic problems that largely brought about the downfall of the Abe⁶ Cabinet, will be filled after Yonai has sounded out the major political parties.

2. Yonai had been mentioned along with many other candidates about a week ago, but that fact had been lost sight of when a few days ago the field appeared to have narrowed down to General Hata and Prince Konoye.⁷ The news of Yonai's selection came therefore as a surprise. Although he has yet to show his mettle as a politician, his dominating personality and the complete confidence which the navy has in him are taken as a guarantee of his ability to fulfill what is considered to be the supreme need at this time, namely, the organizing of a Cabinet which will represent "a general mobilization of brains and leadership in the fighting services, political parties, bureaucracies and business." One notable exception to the cautious approval of the papers is the charge in unmeasured language of the *Kokumin*, the

¹ Continued from *Foreign Relations*, 1939, vol. iv, pp. 443-455.

² Not printed.

³ Adm. Mitsumasa Yonai, Japanese Minister of Navy, 1937-39.

⁴ Hachiro Arita, Japanese Minister for Foreign Affairs, 1936-37, 1938-39.

⁵ Vice Adm. Zengo Yoshida, Japanese Minister of Navy since August 1939.

⁶ Gen. Nobuyuki Abe, Japanese Prime Minister since August 1939.

⁷ Prince Fumimaro Konoye, Japanese Prime Minister, June 1937-January 1939; Minister without Portfolio, January-August 1939; President of Privy Council since 1939.

organ of the ultra-nationalists—that the appointment of Yonai was engineered by the Emperor's advisers as a reward for Yonai's large contribution toward the defeat of the proposal for an alliance with Germany and Italy (see our 188, April 20, 3 p. m., 1939⁸).

3. With regard to the policies of the forthcoming Cabinet the press assumes that the course plotted by the previous government in respect to foreign relations will be followed: that support will be given to the régime being constituted in China by Wang Ching-wei,⁹ and that improvement of relations with the United States and Great Britain on the one hand and the Soviet Union on the other hand will be prosecuted with increased vigor. The importance attached by the press to the need for the formulating of strong and effective measures to remove or abate the internal economic disorder and confusion which the Abe Cabinet complacently allowed to arise confirm the estimate set forth in our 713, December 28, 7 p. m.,¹⁰ of causes which in large measure brought about the fall of that Cabinet.

4. Reading between the lines of account published in the papers today it is clear that there has taken place a highly significant contest between the Emperor's personal advisers and the army—the former striving to bring about the selection as Prime Minister of a general army officer in active service with a view to placing responsibility for the adjustment of pressing economic and military problems squarely on the army, whereas it has been the tactics of the army to avoid such responsibility. The first move was actually made by the army which notified Lord Privy Seal Yuasa, when the position of the Abe Cabinet first became insecure, that the selection as Prime Minister of Konoye was desired but that failing him it would oppose the selection of former Finance Minister Ikeda, General Ugaki¹¹ or any party politician. When Konoye refused the Premiership on the grounds of his incompetency to deal with the grave economic problems now existing, Yuasa proposed to the army the selection of a general on the active list, preferably Hata. This was countered by the army with the decision not to permit any officer on the active list to accept the Premiership. Yonai, whose strong personality and moderate views, together with his familiarity with the problems arising out of the conflict with China acquired as a member of the Konoye and Hiranuma¹² Cabinets, commended him to the Emperor's advisers, then remained the only

⁸ Not printed; but see telegram No. 186, April 19, 1939, 4 p. m. from the Ambassador in Japan, *Foreign Relations*, 1939, vol. III, p. 21.

⁹ Deputy Leader of the Kuomintang (National Party) at Chungking until his defection, December 1938.

¹⁰ *Foreign Relations*, 1939, vol. IV, p. 454.

¹¹ Gen. Kazushige Ugaki, Japanese Minister of War, 1924–27, 1929–31; Minister for Foreign Affairs, May–September 1938.

¹² Baron Kiichiro Hiranuma, Japanese Prime Minister, January–August, 1939.

candidate against whom there was raised no objection by the army. It is reported that the army supported Yonai's candidacy and that the Emperor took the unprecedented step of summoning General Hata and directing that he assure the cooperation of the army with the new Government.

5. In the opinion of qualified observers, the army must eventually assume entire responsibility for the conduct of Government and it cannot continue indefinitely to obstruct, by invoking its privileges, the implementation of constructive policies which may be initiated by the Government. The events of the past few days have clearly betrayed the lack of confidence on the part of the army in its ability to cope with a situation which has largely been of its own making, and the possibility is being suggested that the army will hereafter have to choose between cooperation with such constructive policies or taking over the conduct of Government and assuming full responsibility for the consequences. Another view put forward by certain well informed Japanese is that Yonai is not a man content to act as an instrument of an army controlled by positivists and may make a bold attempt to place the army under the definite control of its more moderate elements.

6. From the point of view of our relations with Japan the appointment of Yonai is as satisfactory as could be hoped for. I know him to be an ardent advocate of the use of common sense in the conduct of foreign relations, and although I do not anticipate any immediate drastic revision of Japan's objectives and actions in China I look for steady and progressive moderation of scope and methods.

Cipher text to Peiping, Shanghai, by air mail.

GREW

894.002/4111

Memorandum by the Acting Chief of the Division of Far Eastern Affairs (Ballantine) to the Secretary of State

[WASHINGTON,] January 15, 1940.

MR. SECRETARY: The designation of Admiral Yonai as Premier of Japan has probably been prompted partly by the need of having in that position at the present time a strong figure who can stand between opposing factions in the Japanese army. Recent reports indicate strong differences of opinion within the Japanese army as to the methods which Japan should adopt in its China policy. The selection of Admiral Yonai serves as a means of bridging these differences of opinion, and, moreover, indicates, in view of the record of the Admiral, that a cautious and moderate policy will be followed.

Admiral Yonai enjoys general respect and admiration. Born an aristocrat, he has pursued the naval career with success and without becoming entangled in political issues. He has kept himself clear of extreme movements within the Japanese navy or the Japanese army and on several occasions when the country was shaken by sharp differences within the military services his moderation and equilibrium have served well.

Admiral Yonai has consistently opposed Japan's entering upon a close alliance with Germany and Italy. On one occasion he went out of his way in conversation with Ambassador Grew to state his firm opposition to any such trend. Admiral Yonai has seen considerable service both in Germany and in Russia and his consistent opposition to Japan's strengthening its political ties with the central powers is therefore significant.

Press reports indicate that there will return to office a number of statesmen who were in previous cabinets. It is therefore not likely that there will be any marked changes in the policy which Japan has been pursuing for the last two and a half years. It is also noteworthy that, according to the press, the new cabinet will include a stronger representation from the political parties than any cabinet in recent years. This has probably been prompted by the need of countering growing public discontent.

While it cannot be anticipated that the advent of the new cabinet will bring about any dramatic changes for the better in Japanese-American relations it can at least be expected that the new cabinet will wish to continue to explore the possibilities of a basis upon which relations with the United States might be improved.

J[OSEPH] W. B[ALLANTINE]

894.00/892

*Memorandum by the Adviser on Political Relations (Hornbeck)*¹³

[WASHINGTON,] January 16, 1940.

In the telegram here attached,¹⁴ Mr. Grew gives information and comment regarding the Cabinet changes in Japan.

I would call especial attention to the statement that there has been a contest between the Emperor's personal advisers and the Army, the former having striven "to bring about the selection as Prime Minister of a general army officer in active service with a view to placing responsibility for the adjustment of pressing economic and military problems

¹³ Noted by the Secretary of State.

¹⁴ Telegram No. 20, January 15, 5 p. m., p. 957.

squarely on the Army, whereas it has been the tactics of the Army to avoid such responsibility"; and to the statement, "In the opinion of qualified observers, the Army must eventually assume entire responsibility for the conduct of the Government" ¹⁵

Comment:

In the light of the latter of these statements, a statement of opinion—in which I concur—I feel that we should regard the present Cabinet as one not likely to achieve great success and to live long. It may, as suggested further along in the telegram, "make a bold attempt to place the Army under the definite control of its more moderate elements"; but if it does that, the chances are that it will not succeed. I share Mr. Grew's opinion that, "From point of view of our relations with Japan the appointment of Yonai is as satisfactory as could be hoped for"; also, I concur in his estimate that we need "not anticipate any immediate drastic revision of Japan's objectives and actions in China"; but I do *not* share the optimism of his, "I look for steady and progressive moderation of scope and methods" (unless "scope and methods" be construed as referring only to small matters in the field of operations as contrasted with large matters in the field of objectives and major strategy). (One thing, we may reasonably expect: that Admiral Yonai will oppose entry by Japan upon courses of close cooperation with the axis powers or with the Soviet Union.) ¹⁶

STANLEY K. HORNBECK

894.00/902: Telegram

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

TOKYO, March 18, 1940—10 a. m.
[Received March 18—7: 55 a. m.]

182. 1. Sir Stafford Cripps, well known member of Parliament who has been traveling in Russia and the Far East in order to familiarize himself at first hand with political and economic conditions, came to see me for a talk on March 15. On the following day I happened to meet Sir Robert Craigie ¹⁷ who said that Cripps quoted me as predicting a military dictator in Japan. As Cripps had already left for Hong Kong whence he proposes to fly by clipper to the United States. I requested Craigie to rectify what appeared to be a mistake or misquotation of my remarks.

¹⁵ Omission indicated in the original memorandum.

¹⁶ See also vol. I, section entitled "Relations of Japan With the Axis Powers and With the Soviet Union."

¹⁷ British Ambassador in Japan.

2. Craigie has accordingly sent the following telegram to Cripps in Hong Kong:

"On my mentioning to Mr. Grew that you had understood it to be his view that in certain circumstances a military dictatorship might be established here, he gave me as follows his recollection of what had passed: he had given it as his view that at the present moment Japan appeared to be evolving towards a more liberal régime but he added that, if serious food riots or social disorders were to occur, a military dictatorship would be the most probable outcome. That this thought, if made a matter of record, would obviously require a degree of expansion in order to place it in proper perspective.

As the point is important Mr. Grew is anxious there should be no possibility of misunderstanding. I may add that I share my colleague's views as so defined."

3. In further elucidation of my observation to Cripps it may be said that in periods of momentous crisis in Japan, such as the great earthquake of 1923¹⁸ and the "February 26 incident" in 1936,¹⁹ the military habitually assumes dictatorial temporary control. I do not predict a military dictatorship in Japan except under conditions of serious social unrest accompanied by riots or other forms of outbreak. In such circumstances the army, as the sole authority capable of dealing with the situation, would undoubtedly assume temporary *de facto* control of affairs, possibly accompanied by a declaration of martial law.

4. As Cripps is now on his way to Washington where he tells me that he expects to see the President, I consider it especially important that my views on the foregoing subject be placed in proper perspective.

Cipher text by mail Hong Kong.

GREW

894.00/912: Telegram

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

Tokyo, June 24, 1940—7 p. m.
[Received June 24—11: 15 a. m.]

489. Our 486, June 23, 6 p. m.²⁰ Today Prince Konoye resigned as President of the Privy Council. There are rumors to the effect that the resignation is preliminary to the formation of a new Konoye Cabinet, and that alternatively or concurrently he will assume leadership of the new Single Party Movement.

¹⁸ See *Foreign Relations*, 1923, vol. II, pp. 465 ff.

¹⁹ See *ibid.*, 1936, vol. IV, pp. 706 ff.

²⁰ Not printed.

Mr. Yoshimichi Hara, formerly Vice-President of the Privy Council, replaces Prince Konoye as President. His appointment is without special significance.

GREW

894.00/917 : Telegram

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

Tokyo, July 8, 1940—5 p. m.

[Received July 11—11: 17 a. m.]

548. 1. There follows the Embassy's summary of press accounts of the views expressed by Prince Konoye in a press interview on July 7 in regard to the proposed new political structure. The vagueness of parts of Konoye's remarks is necessarily reflected in the following summary.

The proposed new political structure has not made much headway since my last statement. Upon resigning from the Privy Council I am listening to various views and seeking to avoid the adoption for the sake of expediency of measures directed only at the settlement of the China incident and other immediate problems. The new structure must be of a permanent nature capable of functioning after settlement of the China incident and may therefore not be exactly what would be most useful for immediate purposes. I have communicated my views on the matter to the Government and military authorities but thus far have received no reply. Some people think that in the new structure the Diet will be relegated to the background. I have not yet considered this matter fully but certainly importance will be attached to the Diet; it will not be ignored. Nor is there any intention to ignore the existing political parties.

The main objective of the new political organization is the focusing of national policies so as to bring them to bear on the prevailing critical situation. In this connection the problem arises of the relationship between the military and the Government. We must aim at harmonious cooperation between these elements and among the various organs of the Government.

I refrain from using the expression "party" in connection with the new political structure. In this structure the Cabinet will be at the center behind which will be exerted the political power of the organized people. This power will not be expressed through the present political parties but will enter into all phases of political activity, the Government, the army, et cetera. On the basis of this power it is conceivable that an economic congress formed of occupational representatives outside of the Diet might be formed [and] the Cabinet would be changed considerably from its present organization.

A change in the Constitution is unthinkable; it will be preserved. But as the Constitution envisages a balance of political power whereas the new political structure contemplates the coordination of all lines of national policy certain problems may arise.

2. These statements lend further weight to the view that Konoye has no intention of setting up a national party comparable to those in Germany and Italy. Under pressure from various sources he has undertaken as a patriotic duty the task of working out some means of coordinating political elements and factions some of them mutually hostile but on the basis of his several utterances it seems likely that the eventual result will be something innocuous and not responsive to the demands of the extremists.

Sent to the Department via Shanghai.

GREW

894.00/920 : Telegram

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

TOKYO, July 17, 1940—5 p. m.
[Received July 17—6:46 a. m.]

590. This morning's press reporting resignation Yonai Cabinet²¹ virtually unanimous stating political change necessary now to (a) strengthen national unity through "new political structure" and (b) "revitalize [and] strengthen" Japan's foreign policy. Describing sequence events leading up Premier Yonai's resignation, practically all newspapers state resignation grew out of gradually widening divergence opinion between "army and Cabinet". Reported that July 9 War Minister [in] conference with Premier urged latter take steps strengthen internal political structure and emphasized inevitability change Japan's foreign policy. No concrete steps taken subsequently by Premier, accordingly War Minister July 14 sent Premier Yonai written communication reiterating army views. (Yomiuri purporting to give summary this document states as follows:

"To cope successfully with difficulties during present great world changes, nation's international structure must be strengthened, diplomacy must be renovated. To continue present hesitation [and] indecision will lose to Japan its great opportunity. Public has lost confidence in present Government through Cabinet's failure successfully to deal with changing world situation. This will adversely affect settlement of [China] incident, therefore, now necessary establish new domestic foreign policies. Premier should consider resignation . . .²² new structure capable formulating [and] executing domestic [and] foreign policies must be established").

2. At Cabinet meeting yesterday morning Hata and Premier unable agree and Hata resigned. Since impossible obtain successor to Hata, entire Cabinet decided resign.

²¹ The Ambassador in Japan notified the Department of this in a brief telegram on July 16 (894.00/919).

²² Omission indicated in the original telegram.

3. Prince Konoye only person suggested by press as likely receive Imperial command form new cabinet. Considered logical choice because close connection present movement establishment "new political structure" following dissolution present political parties. Yosuke Matsuoka, former President, SMR²³ and Shiratori, former Ambassador [to] Italy, considered most likely candidates Foreign Minister. Press confidently expects choice will be made today.²⁴

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

GREW

894.00/928 : Telegram

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

TOKYO, July 18, 1940—6 p. m.

[Received July 20—4: 15 p. m.]

595. Today's press reports Premier designate Konoye, after unusually long audience last night with Emperor lasting almost 1 hour, saw former War and Navy Ministers and exchanged views. Reported Konoye will select War, Navy, Foreign Ministers first, and will in conference with them decide Japan's high policy and obtain agreement this policy before selecting other Ministers and before deciding upon such important officials as present Cabinet Planning Board, chief secretary Cabinet, and Director Legislative Bureau. High policies to be discussed at Four-Minister Conference to be held tomorrow including question revision Japan's policy non-involvement [in] European hostilities, strengthening Rome-Berlin-Tokyo Axis and other fundamental changes Japan's foreign policy. This important meeting characterized by press and [as?] supreme national defense conference. (Meeting originally scheduled for tonight but latest reports indicate new war minister who was flying back to Tokyo from China inspection trip forced down [by] adverse weather condition [in] Korea and may be unable reach Tokyo until tomorrow morning.)

Nichi Nichi editorial today emphasized strong force which army has exercised [in] political field since Manchurian incident. Expresses hope new cabinet being in harmony with army views will be strongly supported by army and will therefore become strong, enduring Cabinet. To realize "perfect collaboration between army and Government wise policy to from [will be one?] which unites per-

²³ South Manchuria Railway.

²⁴ In telegram No. 591, July 17, 10 p. m., the Ambassador in Japan reported Prince Konoye's commission from the Emperor to form a new Cabinet (894.00/922).

fectly supreme military command and administration." Several other vernaculars express similar thought.

Last press bulletins state following Ministers selected, 1. War Minister, Lieutenant General Hideki Tojo, former Vice Minister of War prior Konoye Cabinet, Chief of State [*Staff*] Japanese Army [of] Kwantung at time outbreak China incident: [2.] Navy Minister, Vice Admiral Zengo Yoshida, held same position Yonai Cabinet; Foreign Minister Yosuke Matsuoka, Japanese delegate extraordinary session League of Nations 1933, president South Manchuria Railway Company 1935 to 1939.

To the Department via Shanghai. Shanghai please repeat to Peiping and Chungking.

GREW

894.00/931 : Telegram

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

TOKYO, July 21, 1940—5 p. m.
[Received July 21—12: 40 p. m.]

606. 1. Fleisher's interview with Matsuoka, part of which was telephoned to New York this morning for the Sunday issue of the *New York Herald Tribune*, came about in the following manner. Without appointment Fleisher called at the private residence of Matsuoka and was told that no interview could be given prior to his taking office. When informed, however, that according to custom no interviews could be given to local correspondents individually after he had taken office, Matsuoka talked to Fleisher for over an hour although some 15 Japanese were waiting to see the former.

2. After discussing Japanese-American relations and placing the responsibility for adjusting those relations on the United States which must abandon the idea of preserving the *status quo* in a rapidly changing world if relations are to be improved, Matsuoka talked along the following lines "for background" not for attribution.

3. In the battle between democracy and totalitarianism the latter adversary will without question win and will control the world. The era of democracy is finished and the democratic system bankrupt. There is not room in the world for two different systems or for two different economies. The one must yield to the other and totalitarianism will achieve universal control. The talk of helping Japan with money and credits is a fallacy owing to the difference in systems and economics. What will come after totalitarianism, which will probably last for several centuries, we don't know but totalitarianism will unquestionably win now.

4. Matsuoka said that he saw the present war coming 6 years ago. He began preaching a single party system for Japan but was a voice crying in the wilderness and people thought him crazy. Now the political parties in Japan are clamoring to have Konoye establish a single system. Not months but years will be needed to weld Japan into a totalitarian state, but Japanese totalitarianism will be unlike the European brand. It is contrary to the Japanese character to be coerced into adopting an idea. Concentration camps would be futile. The people would fight back. Fascism will develop in Japan through the people's will. It will come out of love for the Emperor but the people cannot be forced. It is because of the special system in Japan with the Emperor at the head that the Japanese state is better adapted than any other state to unify the nation in Fascism. The public demand for a single party system shows that the time is ripe.

5. It is clear from the circumstances of the interview that it was impromptu and not planned and that this revealing of Matsuoka's mind and philosophy is significant. Fleisher drew the impression that Matsuoka is more intensely pro-Axis than any other Japanese with whom he has talked. It nevertheless remains to be seen whether he will be disposed toward finding a reasonable basis for improving relations with the United States. I hope to send a more comprehensive analysis of Matsuoka's attitude and outlook by next pouch.²⁵

GREW

894.00/934 : Telegram

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

Tokyo, July 23, 1940—6 p. m.

[Received July 23—12: 46 p. m.]

613. It is reported that the Cabinet will immediately proceed to formulate its foreign policy along the lines of "strictest of relations with the Axis powers and vigorous prosecution of the plan for the establishment of a new order in East Asia", and that announcement will be made as soon as possible with regard to the decision reached.²⁶ While awaiting such clarification, I present hereunder my provisional assessment of the present situation.

1. The selection of Prince Konoye to lead the new Cabinet depended on the question whether or not the end of the conflict with China could be expected to materialize within the reasonably near

²⁵ For the Ambassador's memorandum of conversation on July 26 with the Japanese Minister for Foreign Affairs, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 104.

²⁶ For a "summary of fundamental national policies", issued by the Konoye Cabinet on August 1, see *ibid.*, p. 108.

future. The conflict had begun during Prince Konoye's first premiership, and it was not only his personal hope but the expectation of the public that he should be in office when the conflict be concluded. The belief of many of the most competent observers that the choice would fall on Baron Hiranuma was based on the analysis in certain official quarters of the prospects of peace with China, that the reappearance at this time of Prince Konoye would be premature. The selection is nevertheless, we believe, clear indication that such analysis has been revised in the light of European developments and that a more optimistic view prevails with regard to the prospects of bringing the China conflict to an end.

2. The reasons are [*for?*] the retirement of the Yonai Cabinet have not been fully exposed and their nature is suggested by the emphasis which is being laid on future close association with the Axis and on the setting up of an economic bloc in the Far East. As the Department is aware, Admiral Yonai has been persistently skeptical over the benefits to Japan of close association with the Axis Powers, he has been lukewarm over the new order in East Asia and he looked for adjustment of relations with the United States and Great Britain. His position on these matters was fairly well concealed, but the public sensed nevertheless that the degree of vigor with which the Yonai Cabinet approached problems directly and indirectly related to the China conflict in no way corresponded with the accelerated tempo of events in Europe which seemed to impel Japan toward "strengthening its relations with the Axis Powers."

A second factor was undoubtedly the desire on the part of the Japanese people after a decade of almost complete isolation to grasp the hands held out by nations who have demonstrated their military power. There occurred therefore a force against which a Cabinet which contributed little toward the fulfillment of Japanese ambitions in China could not prevail.

3. The Cabinet just constituted is on the whole conservative in complexion, the exceptions are Hoshino, Minister without Portfolio and concurrently Director of the Planning Board, Kazami, Minister of Justice, and possibly Matsuoka. Hoshino has long been a stalwart proponent of the economic bloc idea, he has had an opportunity to try out his hand in Manchuria and his presence in the Cabinet is therefore a clear indication of intention to establish the economic bloc. Kazami has been given the Justice portfolio to draft changes in the electoral law and parliamentary system which would bring them more closely into line with the single party principle which is now being worked out. Matsuoka is an incorrigible talker and it remains to be seen whether his policies will be as drastic as his recent statements would seem to promise.

4. The best opinion today is that there will be no abrupt and drastic change in foreign policy in the immediate future. Although the trend is undeniably toward the Axis Powers, definitive and irrevocable action at this juncture in that direction would appear to be effectively prevented by economic considerations. The Axis Powers are not now in any position to supply Japan with raw materials or to absorb her manufactured goods, Japan being now largely dependent in both respects on the United States and the British Empire. I would therefore expect Japan to refrain in such event from entering into definite commitments with the United States on any terms compatible with American policy or on the other hand with Germany and Italy pending the outcome of the struggle in Europe.

5. Whatever trends or developments emerge in future we must reluctantly assume that through the fall of the Yonai Cabinet our efforts during the past several months to create some substantial basis for an improvement in Japanese-American relations have been checked by the turn of events. After establishing contact with the new Foreign Minister I shall study the future outlook and the desirability of recommending a new approach in case some opening worthy of exploration should develop.

GREW

894.00/961

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

No. 4917

TOKYO, August 16, 1940.
[Received September 25.]

SIR: I have the honor to report on an innovation of fundamental importance which has recently taken place in the political machinery whereby the prime ministers of Japan are chosen. The innovation, in short, consists of the substitution of a new advisory body in place of the old institution known as the Genro.

This report is partly in the nature of a digest of an able article entitled "Japan's New Genro" by Dr. C. H. Spinks which appeared in the July issue of *Contemporary Japan*.

Prince Saionji is the only surviving member of a group of imperial counselors which appeared shortly after the Japanese Constitution was promulgated in 1889. This group, known as the Genro or elder statesmen, was composed of leaders of the post-restoration period who had been recognized by the Emperor as having rendered exceptional services to the state. Without constitutional status, the Genro formed a body which was called upon by the Emperor to choose the head of each new government. Through the exercise of this function, the

Genro was able to exert a strong influence over the policies and affairs of each ministry.

In the early years of constitutional government the influence of the Genro was strongly conservative, but with the death of the military and more reactionary members of the group the liberal influence, typified by Prince Saionji, became paramount. Prince Saionji was a firm believer in party government, and during the decade before 1932 it was his practice to choose as premier the president of the majority party or, in case of the latter's resignation, the president of the largest minority party in the Diet. Until the revolutionary events of 1932 it was generally believed that this system had become so well entrenched that after Prince Saionji's death the machinery would function entirely upon a party basis without the intervention of extra-constitutional advisers.

Four factors, partially interrelated, may be regarded as having prevented the system sponsored by Prince Saionji from taking permanent root. The first was the ineptitude and corruptness of party politics; the second was the economic depression which settled upon Japan after the bank crisis of 1927; the third was the outbreak of a series of political assassinations culminating in the affair of May 15, 1932;²⁷ and the fourth was the "Manchurian incident" which may be regarded as an expression of military dissatisfaction with the foreign and domestic policies of the civil administration. These factors led to the downfall of liberalism in Japan and ushered in the present era of reaction.

The assassination of Premier Inukai in the May 15th affair may be regarded as a turning point in the Japanese system of government. Since that occasion it has been necessary in the selection of prime ministers to give consideration to the new forces of reaction against parliamentary institutions and party government, and it has been Prince Saionji's increasingly difficult task to select men who could placate the reactionary elements but who at the same time could hold those elements in check. The result has been a complete abandonment of the system of party government. With the appointment of Admiral Saito in 1932 until the present, the prime ministers have without exception been non-party bureaucrats, for the most part military or naval men.

With the change in the type of governments has come an equally significant change in the procedure whereby the prime ministers are chosen. The abandonment of the system of party governments was, of course, a blow to the prestige as well as the hopes of Prince Saionji, who was the principal sponsor of that system. Since the assassination of Premier Inukai in the May 15th affair, Prince Saionji has not

²⁷ See *Foreign Relations*, 1932, vol. iv, pp. 684 ff.

attempted to choose a new prime minister without consultation with other leaders. On the occasion of the selection of Admiral Saito in 1932, Prince Saionji came to Tokyo from his home in Okitsu to hold conferences with all the former prime ministers, the president of the Privy Council, the Lord Privy Seal, and the War and Navy ministers, before reporting to the Throne. When the Saito cabinet fell in 1934, conferences were again held with the retiring premier, the Lord Privy Seal, the president of the Privy Council, and the former prime ministers. Significantly enough, in this case no conferences were held with the War and Navy ministers. It is generally believed that Prince Saionji sought to establish a precedent by these meetings, aiming at the creation of an official body which might take over the Genro's important function of choosing premiers.

The next step in the changing process of selection of prime ministers took place in 1937 after the outbreak of the China incident. The Hiranuma, Abe, and Yonai cabinets all came into being after political conferences in Tokyo, while Prince Saionji remained at his Okitsu villa and was kept informed of the proceedings by his private secretary. In this manner, partly because of Prince Saionji's advancing age and feebleness, and partly because of political tension which has continually accompanied the bureaucratic cabinet regime since 1932 and especially since the war with China, there has developed what virtually amounts to a new Genro, or group of advisers, for the selection of prime ministers. This new body is gradually taking over the functions which, until 1932, had been regarded as Saionji's exclusive prerogative.

From observation of the men who have shared in the responsibility for the formation of new cabinets since 1932, it is possible to determine with some accuracy the composition of this new Genro to which the name "Jushin" or "most important retainers" is becoming commonly applied. The Lord Privy Seal, at present Marquis Koichi Kido, commands foremost attention. He is an officer of ministerial rank appointed by the Emperor, and as the first man to be consulted by the Emperor in every cabinet change may be regarded as key man in this new group of advisers. After him come the president of the Privy Council, now Dr. Yoshimichi Hara, and all former prime ministers. Those living at present are Baron Wakatsuki, Admiral Okada, Mr. Hirota, General Hayashi, Prince Konoye, Baron Hiranuma, General Abe, and Admiral Yonai. These men form the body which on recent occasions has been called together by the Lord Privy Seal to deliberate on the choice of a new premier, but in view of the important position in Japan of the Army and Navy, high officers of these services, particularly the War and Navy ministers of the outgoing

cabinet, play an important role in the new system of Genro. Although the military services are not directly represented on the "Jushin" council, their opinion and consent has been obtained in every instance since the outbreak of military violence of February 26, 1936, which made plain the importance of military cooperation with the civil government.

The gradual evolution of this new type of Genro may have far-reaching results on future Japanese political development. Unlike the old Genro, which is destined to vanish with Saionji's death and which has even now lost its principal function, this new body, by virtue of its peculiar membership, is permanent. It had been generally assumed that with the passing of Prince Saionji the Genro as an institution would also pass. This might have been the case if the party cabinet system had not been overthrown in the stress of events following the incident of May 15, 1932, and if these events had not brought about a revulsion against liberal institutions.

It should be remembered that the party cabinet system, as it had developed and as it existed prior to 1932, was a distinctly new phenomenon in government and one which had not yet struck roots deep into the political soil of Japan. Through their long history the Japanese as a rule have displayed an Oriental partiality for paternal advisers. They are found not only in the political but also in the business world as well, and even in family affairs the ostensible head of a household is frequently dependent upon an "inkyo", the former head, who has withdrawn into retirement. Such Genro-like advisers in government are historically compatible with Japanese political reasoning, and the Japanese mind, steeped for centuries in the adviser tradition, is decidedly reluctant to accept any political system in which such important decisions as the choosing of the head of a cabinet are left to such uncontrollable forces as political parties or public opinion. Regardless of the extent to which the May 15 incident changed the course of political development in Japan, the party cabinet system was, after all, an alien institution which had never been fully acclimated to the peculiar Japanese environment. On the other hand, the original Genro, of which Prince Saionji is the last representative, and the new Genro or "Jushin" council, which is now crystalizing as an institution, are infinitely truer to Japanese tradition.

It may be added that the appearance of this new Genro in an era of bureaucratic cabinets is a vivid reflection of the vast changes which have come over Japan's political complexion. When party cabinets were in vogue, public opinion, working through the parties and the Diet, played a small but growing part in the choice of premiers and in the determination of policies. Today this manifestation of public

opinion, which was generally on the side of liberalism, has been largely submerged while the reactionary elements in the nation have been accorded a stronger position. Not the least reason for this change is the fact that the new institution assuming responsibility for the selection of prime ministers is composed to a considerable extent of men who hold views in sympathy with the reactionary, anti-liberal forces in the country. While the new Genro is by no means the tool of the reactionaries and although it contains elements which may at least be termed independent, yet its views are very different from those prevailing during the liberal and democratic decade of Prince Saionji's preeminence as the Emperor's adviser.

Respectfully yours,

JOSEPH C. GREW

894.00/947: Telegram

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

TOKYO, August 24, 1940—1 p. m.

[Received August 24—6:52 a. m.]

740. 1. In a long conversation with the Minister for Foreign Affairs at a dinner which I gave last night for Ambassador Steinhardt,²⁸ Mr. Matsuoka developed his political philosophy with special emphasis on his long advocacy of eliminating from Japan all party politics which in this country resulted in constant bickering, jealousies and waste motion. He said that today Prince Konoye would announce the new structure, not as envisaging a single political party, but the absence of all parties. Matsuoka said that in view of his special interest in this subject he had hoped to be appointed either General-Secretary of the new political structure or else Minister of the Interior and that he had been surprised and overwhelmed with a sense of inadequacy when the Premier had appointed him Foreign Minister without previous consultation.

2. The Minister said that he is disgusted with the anti-foreign campaigns being waged in Japan and is doing his best to stop them. He said that he had obtained a definite promise from the Home Minister that the recent anti-British meeting in Hibiya Hall would not be permitted to take place and that he was exceedingly angry when he found that the promise had not been kept. Furthermore, he said that in receiving recent deputations from several so-called patriotic societies who wished to report on the good work they were doing in stirring up anti-foreign agitation, the Minister had roundly upbraided them as working directly against the best interests of their country and that he

²⁸ Laurence A. Steinhardt, Ambassador to the Soviet Union.

was ashamed of their procedure which was worthy of a third rate power and which if continued would rob Japan of all dignity. In the case of the British, he said that many difficulties existed between the two countries but "at least" he said, "let us fight like gentlemen."

3. I report the foregoing because I believe it represents Mr. Matsuoka's genuine opinion and attitude and that while he obviously cannot control the press he can helpfully be appealed to in the other phases of anti-American propaganda, if and when such an appeal becomes desirable.²⁹

GREW

894.00/963

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

[Extracts]

No. 4946

Tokyo, September 5, 1940.

[Received September 25.]

SIR: I have the honor to report on the movement for a "new national structure" in Japan.

Over a period of several years the Embassy has reported the development of a movement in Japan directed toward the formation of a single party or organization in which the political power of the nation would be unified.

Events took a decisive turn when on May 4 Fusanosuke Kuhara, the not-too reputable president of the Kuhara Faction of the Seiyukai, proposed publicly that all existing parties be dissolved as a preliminary move toward the formation of a single new party. The proposal at first met with opposition, perhaps because of general distrust of Kuhara's motives. Later, under the weight of circumstances that will be described, the political parties decided to disband. The last to do so was the powerful Minseito, which ended a 60-year career on August 15, having adopted a resolution advocating the formation of a "new political structure". No doubt many of the party members, faced by an impasse to their ambitions, plumped for dissolution in the hope of reassembling on the new band-wagon of a national party. Prince Konoye has repeatedly tried to discourage the idea of a mere reshuffling of political forces but it still persists.

Obviously the crux of the "new structure" movement hinges on the relationship between the military and the civil administrations.

²⁹ For a public statement by the Japanese Minister for Foreign Affairs on August 1, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 111.

Japan's political disputes of recent years have largely centered around the question of the army's political power. With the decline of the parties, the army has usurped their place as the driving force behind Japanese politics, and in spite of constitutional impediments has openly exercised political power in all directions. What has obviously been taking place in Japan during the past decade is a reversion to old forms and traditions fixed during centuries of rule by a military caste. Now, of course, the army is no longer a caste, having democratized itself by conscription from the masses, but there remains unchanged in the nation's consciousness the military tradition and, even more important, the tradition of military title to political power. The principal problem before Prince Konoye is, therefore, to find a means to associate the Supreme Military Command with the Cabinet in the general administration. His statements show that he is thoroughly aware of this problem. In a press interview on June 4 he declared (Domei): "A new party which is ready to do the bidding of the military is not what I am after. A new party desired by me is one confident enough to tender advice to the military and above all to reflect the feelings of the people in what is done by the military. The military should have the responsibility of managing military affairs. It is up to the politicians to manage political affairs. There is no thought of putting pressure on the army or resisting it. The need of the moment is to arrange for the military and the civilian population to cooperate from the depth of their hearts." Again, in his formal statement of July 28 he declared "Among the items to be considered in this new organization of the nation must be mentioned the harmonious cooperation between the High Command and the administrative branch of the Government . . ." ³⁰

In its attitude toward the "new structure" movement the Army seems to be wavering between desire to be rid of the incumbrance of parliamentary government and reluctance to see set up any authority capable of challenging its own power. The military attitude toward the plans now under consideration are attracting the closest attention because it is generally realized that the fate of the "new structure", and in a broader sense the fate of constitutional government in Japan, depends on the stand taken by the military at this time. Judging from the latest press reports, the opinion now prevailing in the army is that in order to preserve its special status as an organ of the Supreme Command it should "stand outside of the new structure and offer its wholehearted cooperation from outside." This would mean, of course, that the old conflict of authority would be perpetuated in the "new structure."

³⁰ Omission indicated in the original despatch.

The composition of the commission appointed by Prince Konoye on August 23 to organize the new structure is significant. Of the 26 members, the following will be recognized as representing the blackest reaction: Colonel Kingoro Hashimoto, president of the Dai Nippon Young Men's Party, who was implicated in the sinking of the U. S. S. *Panay*,³¹ Seigo Nakano, president of the defunct and ultra-nationalistic Tohokai, Toshihisa Kuzuu, head of the notorious Amur (Black Dragon) Society, Toshio Shiratori, the nationalistic ex-Ambassador to Italy, Admiral Nobumasa Suyetsugu, a notorious fire-eater. Representing more moderate elements are Yoshiaki Hatta, President of the Japan Chamber of Commerce and Industry, Dr. Hiraga, President of the Tokyo Imperial University, Mr. Takashi Isaka, Director of the Industrial Club, etc. But by and large the commission has a strong flavor of the most virulent nationalism. It is not hard to predict the nature of any project emerging from this Cave of Abdullum.³²

Many observers have spoken of the "new structure" movement as an effort to create a Japanese equivalent of totalitarian régimes in Europe. However, Japanese exponents of the New Structure take much trouble to refute this impression. Prince Konoye himself has said in his statement of August 28 "No matter what brilliant results such a system (totalitarianism) may have reaped in other lands, it is not acceptable in Japan because it is contrary to the basic principle of our national policy . . ." ³³ On the same occasion he declared that the privilege of assisting the Throne is common to all Japanese subjects and "cannot be monopolized by the power of a single individual or a single party." Actually, the contention that the "new structure" will differ essentially from Fascist organizations in Europe appears to be sound. Dictatorship by an individual is not in conformity with Japanese political traditions and could probably never be implanted in Japan.

Despite these arguments, the fact remains that the impelling force behind the "new structure" movement in Japan is the same as that which brought into being Fascism and Nazism, namely the necessity of unifying the total energies of the people to meet the exigencies of the occasion. In Prince Konoye's own words his movement is designed "to unite the total energies of the State and of the People" in order to make possible "the powerful pursuance of any policy when the necessity arises". Again he declared:

³¹ December 12, 1937; see *Foreign Relations*, 1937, vol. iv, pp. 485 ff., and *Foreign Relations*, Japan, 1931-1941, vol. i, pp. 517 ff.

³² Where David and his followers took refuge from Saul; see I Samuel 22: 1-2.

³³ Omission indicated in the original despatch.

"It aims at the concentration and unification of the nation's entire powers. Its activities extend to the whole life of the nation." In so far as fascism is characterized by authoritative government; by a monopoly political organization; by subordination of the individual to the larger interest of the state; and by rigid control over the economic life of the nation, Japan is following closely the pattern set by the dictatorships. The trend toward national socialism is already well under way. Industry, finance, politics and national defense are becoming inextricably interwoven in the totalitarian pattern.

It is therefore fruitless to argue whether the "new structure" will follow the European pattern of totalitarianism and whether the plan for a "new structure" would have been developed without European examples. It is safe to say that given the examples of successful authoritarianism in Europe and given an emergency situation at home, the Japanese are busy exercising at once their genius for imitation and their sure sense of tradition. While it is yet impossible to appraise with any degree of accuracy a political structure that is still on the drafting board of its designers, yet by the utterances of its sponsors the "structure" has every earmark of a totalitarian régime, in its purposes not far different from the Nazi party system in Germany or the Fascist party system in Italy, but in form modified to suit Japanese traditions and ideas. . . .

Respectfully yours,

JOSEPH C. GREW

893.102S/2343

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

[WASHINGTON,] October 17, 1940.

MR. SECRETARY: In the report hereunder ³⁴ there appears further and strong evidence indicating the possibility of there developing in Japan, if and as there is continuance and increase of the burden which the current military adventurings impose upon the nation, internal revolution.

S[TANLEY] K. H[ORNBECK]

³⁴This report (not printed) consisted of "an extremely interesting interview between Hirochi Kondo and Treasury Agent Nicholson" at Shanghai, as transmitted to the Secretary of State by the Secretary of the Treasury. The Japanese expressed various views, among others that the war in China would be ended by agreement, that a socialistic monarchy might result in Japan, and that war between Japan and the United States was unlikely.

894.00/973

*Memorandum by the Consul at Osaka (McConaughy),
Temporarily in the United States*

[WASHINGTON,] November 18, 1940.

OBSERVATIONS ON THE JAPANESE POLITICAL SITUATION AS
NOTED IN WESTERN JAPAN

The following comments are offered merely as background material. While it is presumed that they will only confirm and supplement information already on hand, they are submitted as first-hand observations. The undersigned left Osaka on September 14, 1940, and all conclusions drawn are as of that date.

A disturbing aspect of the present Japanese scene is the recent trend toward unqualified endorsement of current Japanese foreign policy by the liberal and moderate elements which formerly comprised a passive but substantial opposition. As examples of this development there may be cited: (1) Emphatic private assertions that the United States must acquiesce in the Japanese program, made by men (such as Ogura of Sumitomo Honsha, Takaishi of the Osaka Mainichi, Nango of the Japan Cotton Company, and Kanzaki of Kansai Gakuin University) who in 1937 and 1938 confidentially voiced regrets and sometimes even mild apologies at the course of Japanese policy; (2) a process of rationalization by many Japanese Christians which has enabled them to justify in their own eyes (on the grounds of "ultimate good") the aggressive aims of the Japanese Government, and to reject some of the altruism inherent in Western Christianity; (4) [*sic*] growing hostility toward the United States in the tone of such "conservative" and increasingly influential newspapers as the Osaka *Asahi* and the Osaka *Mainichi*, coincident with a greater amenability on their part to the suggestions of governmental agencies primarily concerned with the molding of public sentiment; (5) dedication of teachers, from elementary grade to university professors, to the task of indoctrinating students with the current state philosophy while suppressing freedom of thought ever more rigidly; (6) a tendency to reject further foreign tutelage and assistance where possible, even in fields where a need therefor admittedly still exists; (7) increasing fear by Japanese leaders in all walks of life of the authority of the Japanese *gendarmerie* and petty officials in the prefectural and economic police; and a more supine acceptance of their narrow point of view, which calls for the general avoidance of casual social contacts with foreigners, and the withholding of commercial and economic

information from them, including foreign trade figures. The ready acceptance by the business leaders of the economic control measures is partly motivated by a fear of the internal inflation which would immediately ensue without those measures; (8) failure of Japanese business leaders in Osaka to convince Japanese militarists in China that exploitation measures there (even from the point of view of immediate self-interest) should be carried out in a more conservative manner and with more regard for the interests of Chinese and foreign producers and merchants; (9) a growing assumption that virtually complete autarchy, especially as to imports, within an expanded yen bloc, is a sound ultimate objective of Japanese policy.

Some of the formerly dissident elements no doubt have fallen into line because they believe that the die has been cast; that the national existence of Japan is not interwoven with the success of the present policies; and that resistance at this advanced stage would be unpatriotic if not treasonable.

These elements share with the bolder groups actually controlling the government a dangerous conviction that *rapprochement* with the United States, when it comes, must be brought about by a reorientation of American policy, with little or no deviation by Japan from the "immutable" line which it has taken.

It should not be assumed, however, that the industrial and financial leaders of Osaka are in complete accord with the point of view of Japanese militarism. Many of these leaders, realizing the degree to which the Japanese farmer is bearing the brunt of the national burden, distrust the avowed agrarian sympathies of the more radical army element, and are disturbed by occasional army advocates of accord with Russia who contend that the Russian system is not Marxist, and that there is little to choose between the present Russian principles of government, and those by which the Japanese state is to be guided. Their generous donations to army funds, over and above their taxes, are partly prompted by a desire to placate the extremist group in the army which would expropriate business.

The conservative business element of western Japan, represented in the present cabinet by Mr. Murata (formerly of the Osaka Shosen Kaisha) and to a lesser extent by Mr. Kobayashi (developer of the extensive Hankyu transportation, amusement, and mercantile chain in Osaka and Kobe), undoubtedly do exercise some restraining and hardheaded practical influence in Tokyo. Mr. Murata as Communications Minister has already taken steps to integrate the shipping industry, and probably will achieve a needed elimination of wasteful competition and duplication of services. Mr. Kobayashi, despite his known admiration for Nazi efficiency, is not yet ready to jettison

traditional financial procedures or to embrace the methods of Dr. Schacht³⁵ in their entirety.

Mr. Kobayashi's acceptance of the chairmanship of the economic mission to the Netherlands Indies was interpreted by some of his acquaintances and by Dutch interests in Kobe having close contact with the Government General at Batavia as an indication that the Japanese plan to avoid military measures in the Netherlands Indies for the present, and to endeavor to achieve their immediate objectives (chiefly long term credits, and increased shipments of textiles to pay for petroleum, rubber and tin, with drilling, mining and rubber growing concessions for Japanese interests a distinctly secondary consideration, if indeed an issue at all) by peaceful means with a minimum of coercion.³⁶

Apart from the representation in the Cabinet, the influence of western Japan has been exerted mainly in the direction of salvaging the foreign trade of Japan. It is still the prime trading area of Japan, and prodigious efforts have been exerted in the promotion of export trade, with some degree of success. Great difficulty has at times been encountered in persuading the central government to rescind measures which tended to stifle export trade, but in general the frequent trips of Osaka merchants to Tokyo have borne fruit, and the producers and export trade associations which have become agencies of the government are helping to enforce the control system.

Osaka influence has been conspicuous in the government decision to permit the importation of sufficient cotton to keep the great cotton spinning industry operating at approximately 50 percent of capacity, despite the presence in Japan of huge, and growing, stocks of unsold piece goods manufactured for export—probably sufficient to satisfy export demand for ten months. The foreign exchange badly needed for other purposes has been allocated to cotton purchases because the cotton industry has apparently convinced the Cabinet that it would be a mistake to allow such a great economic asset (in normal times) as this industry to become moribund, with a consequent serious dislocation of labor and a heavy capital loss, to say nothing of the difficulty of reestablishing the industry should momentum once be lost.

The Osaka influence can also be seen in the drift toward a partial relaxation of the curb on exports to the yen bloc of goods manufactured from raw materials paid for with foreign exchange. Most of the exports to China and Manchuria pass through Osaka, Kobe, or Moji, and are vital to the prosperity of that region. Osaka traders in general have not been impressed with the argument that exports to

³⁵ Hjalmar Schacht, German Minister without Portfolio; president of the Reichsbank, March 1933–January 1939.

³⁶ See also pp. 565 ff.

China and Manchuria should be restricted because no foreign exchange is derived therefrom. They reply that the yen bloc is by nature a principal outlet for Japanese manufactures, and they fear that the great China market eventually may be partly lost to non-Asiatic powers, including Germany, if it is not continuously held by Japan. Osaka business leaders are cautiously resisting the recent trend for the economy, finance and currency of "Manchukuo" to be divorced from that of Japan proper.

Individual buying of government bonds in Osaka appeared to be lagging through the summer, but Osaka banks, trust companies and insurance firms continued to purchase heavily, without outward sign of compulsion.

Although relations of the Japanese leaders in Osaka with American representatives are still on a cordial basis, there is naturally less warmth and more suspicion in the general attitude toward the United States. While American interests there feel that they do not receive reciprocal treatment, there are few if any cases of substantial discrimination against American commercial interests as compared with those of other foreign countries.

The American embargoes and licensing requirements of certain strategic products are resented, but no petty reprisals have been taken.

It is unlikely that the Japanese will boycott American cotton or other raw materials still available to them as a result of the limited steps already taken by the United States.³⁷ The Japanese buy their important raw materials on a basis of pure expediency, rejecting emotional considerations, and resort to a boycott or import embargo only as a very broad instrument of national policy. A cotton boycott might be conceivable if further economic measures should be taken by the United States, and if a sufficient supply of cotton for at least a short period should be deemed available from other sources. As precedents there are the boycott of Indian cotton for a few months in 1934, a similar measure against Australian wool in 1935, and punitive tariff measures against Canada in 1936.

However, prevailing sentiment in west Japan is against any present economic reprisals against the United States.

894.00/984 : Telegram

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

TOKYO, December 24, 1940—2 p. m.

[Received December 24—12: 35 p. m.]

1372. 1. Evidence comes from a variety of independent sources that the Japanese Navy is using its influence in favor of moderate courses

³⁷ See also pp. 565 ff.

and is quietly working for the eventual return of Admiral Yonai to the Premiership. There is reason to believe that the appointment of Admiral Nomura ³⁸ as Ambassador to Washington was finally brought about by pressure from higher naval officers who are opposed to courting war with the United States. The unusual number of high naval officers who attended the luncheon of the America-Japan Society on December 19 ³⁹ was impressive as well as the fact that out of a clear sky and without recent precedent the Vice Chief of the Naval General Staff recently gave a dinner for our Naval and Assistant Naval Attachés with a number of high Japanese naval officers at which the atmosphere was unusually friendly. These elements express the opinion that war can be avoided while adding the customary warning that an Anglo-American agreement for the joint use of Singapore followed by the stationing there of American warships would constitute so clear a menace that Japan might have to strike in self-defense.

2. This conservative attitude on the part of the Japanese Navy as distinguished from the general extremist attitude of the Army may be ascribed in part to the Navy's broader vision and better comprehension of world affairs. Whether the Navy is also guided by lack of confidence in its power and readiness for war, or whether it desires merely to postpone war with the United States until the completion of the Japanese battleships now under construction, is a matter for pure speculation. I am told on good authority that the mechanization of the Japanese Army is in extremely poor condition owing to bad materials and faulty construction and that it would be hopelessly outclassed in the face of a modern army of any first-class power, but there is no way of estimating whether this applies equally to the Japanese Navy. The Naval Attaché concurs in the foregoing.

3. Meanwhile, evidence of closer cooperation between Japan and the Axis, especially Germany, is to be found in the setting up of the mixed commissions under the Triple Alliance,⁴⁰ the reported arrival in Tokyo of German economic and police experts, the departure of Japanese naval and military missions for Berlin, and the reappointment as Ambassador to Germany of General Oshima, chief Japanese architect of the Triple Alliance. There is little doubt that Germany will make every effort and will grasp every opportunity to drive Japan into war with the United States in order to reduce American aid to Britain.

³⁸ Adm. Kichisaburo Nomura, Japanese Minister for Foreign Affairs, September 25, 1939-January 14, 1940.

³⁹ For addresses by Mr. Matsuoka, Admiral Nomura, and Mr. Grew, see *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 123, 128, and 129.

⁴⁰ For summary of pact signed at Berlin, September 27, see *ibid.*, p. 165.

4. The promotion by Germany of this intensified cooperation with Japan may be ascribed in part to the urgent need of the former to find another active partner in the event of Italy's early collapse. It appears to be reasonable to ascribe Japan's motive to fear of war with either or both the United States and Soviet Russia. The German Air Attaché in Tokyo, who is a close friend of Goering⁴¹ and in touch with the inner councils in Berlin, recently said to a neutral informant that Germany has now succeeded in diverting the Soviets' attention from Europe to the Far East, while unconfirmed reports come to us of troop concentrations on both sides of the Russo-Manchurian frontier. All reports here indicate that the Russo-Japanese negotiations in Moscow have met insuperable obstacles.

5. On the other side of the picture, one informant, an influential Japanese who is not afraid to work openly against the Tripartite Alliance and who is in touch with the Prime Minister, has told one of my colleagues that Prince Konoye, who was never in favor of the alliance, now scarcely disguises his chagrin at the way in which matters have developed. The thought has been expressed that if Italy should collapse, Japan's obligations which were undertaken jointly with Germany and Italy could be regarded as null and void and thus [apparent omission] doubtful issue from an increasingly embarrassing situation could be [apparent omission] worthless. This informant is one of many who are working for the fall of Matsuoka whose recent provocative utterances and especially the ineptness of his speech before the America-Japan Society⁴² as a prelude to Admiral Nomura's mission to the United States have led to grave doubts as to the Foreign Minister's balance and the dangerous course which he is pursuing. One astute colleague observed that Matsuoka in his public statements is unable to distinguish between frankness and freshness.

6. In the meantime, as frequently reported by the Embassy, the so-called "new structure" is giving rise domestically to widespread and increasing dissatisfaction and it is understood that the appointment of Hiranuma as Home Minister was effected with a view to controlling recalcitrant rightist elements with whom he possesses influence.

7. The foregoing points merely confirm the fact that while no immediate outlook for the fall of the Cabinet or for a change in orientation is evident, nevertheless dissatisfaction with the position in which Japan now finds herself is rife and may well gather strength. This comes to me from a great variety of sources and merits attention even with every precaution on our part to avoid allowing the wish to become father to the thought. In the meantime there has been a notable

⁴¹ Hermann Göring, German Minister for Aviation.

⁴² *Foreign Relations, Japan, 1931-1941*, vol. II, p. 123.

absence of recent steps in the policy of southward advance and the press has been unusually quiet on that subject. Further developments would seem to be awaiting the results of (1) the negotiations with Soviet Russia, (2) the economic negotiations with the French concerning Indochina which are to commence in Tokyo, (3) the renewed negotiations with the Netherlands East Indies and (4) trends in the war in Europe and Africa. Furthermore, the attitude of the United States is being constantly watched.

Sent to the Department. Repeated to Moscow.

GREW

NOTICE BY JAPAN OF ABROGATION OF THE 1911 FOUR-POWER CONVENTION ON FUR SEALS IN THE NORTH PACIFIC; JAPANESE PROPOSALS FOR NEW AGREEMENT

711.417/1082: Telegram

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

TOKYO, March 19, 1940—5 p. m.

[Received March 19—6:40 a. m.]

184. The press reports that the Minister for Foreign Affairs⁴³ stated on March 18, in a committee of the Lower House (when complaint was made by a member that the protection afforded by the Fur Seals Convention of 1911⁴⁴ had so increased the number of seals that the fisheries were being seriously affected), the [*that?*] consideration is now being given to proposing in the near future a revision of the Convention. He is reported to have added, "The Convention may now be terminated but I would like first to give the matter further study."

GREW

711.417/1091: Telegram

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

TOKYO, October 24, 1940—10 a. m.

[Received October 24—4 a. m.]

1040. 1. The Vice Minister for Foreign Affairs⁴⁵ sent for me yesterday and handed me the following "oral" statement upon which I reserved my Government's comment:

⁴³ Hachiro Arita.

⁴⁴ Signed at Washington, July 7, 1911, by the United States, Great Britain, Japan, and Russia, *Foreign Relations*, 1911, p. 260.

⁴⁵ Chuichi Ohashi.

"I wish to inform Your Excellency of certain steps which the Japanese Government are contemplating to take in regard to the convention for the protection of fur seals signed at Washington on the 7th July, 1911.

At the expiration of the stipulated term of validity of the convention, namely, 15 years from its conclusion, the Japanese Government found that the provisions of the convention no longer suited the actual state of affairs, and according to article XVI proposed on the 5th January, 1926, to the governments of the interested countries to hold a conference for the revision of the convention.⁴⁶ The proposal, however, did not materialize, and the convention has since remained in force without any revision or amendment for over 14 years.

Fur seals in the north Pacific Ocean, which numbered some 140,000 at the time of the conclusion of the convention, have gradually increased until they are now estimated at some 2,200,000. Both direct and indirect damage inflicted on the fishing industry by the increase of fur seals has become very serious. The present convention has for its sole object the protection and preservation of fur seals, and leaves entirely out of consideration the injury caused to fishing industry. Fishing being one of Japan's chief industries, the Japanese Government are unable to allow the convention in its present form to continue in force any longer.

The Japanese Government, therefore, intend, after taking the necessary steps required by the national law, to give one year's notice to terminate the convention by virtue of the provisions of article XVI.

I wish to point out, however, that the Japanese Government, being desirous to see the protection and preservation of fur seals continued on a reasonable basis, intend to suggest some principles upon which they are prepared to conclude with the interested countries a new agreement in the place of the present convention.

These things I tell to your Excellency in order that there may be no misunderstanding as to the real intention of the Japanese Government in taking those steps which they are going to take."

2. The Vice Minister suggested that before reporting his oral statement I await the delivery of the formal note today in order to report both documents together. I was therefore surprised this morning to see that the spokesman of the Foreign Office had last evening released to the press a statement that the United States, Great Britain and Russia had been informed yesterday of Japan's intention to abrogate the convention.

3. We will telegraph the Embassy's translation of the formal note which was to have been delivered to the Embassy this morning, but which has not yet arrived, as soon as received.

GREW

⁴⁶ See *Foreign Relations*, 1926, vol. II, pp. 462 ff.

711.417/1093: Telegram

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

Tokyo, October 25, 1940—11 a. m.

[Received October 26—1:23 p. m.]

1051. Embassy's No. 1040, October 24, 10 a. m. The following is our translation of the Foreign Office formal note concerning the abrogation of the treaty for the protection of seals dated October 23 received this morning:

"No. 18. Confidential—Treaty 3, Ministry of Foreign Affairs, Tokyo, October 23, 1940.

Excellency: I have the honor to inform Your Excellency that the Imperial Government, in accordance with the provisions of article XVI of the treaty for the preservation and protection of fur seals signed at Washington, D. C., on July 7, 1911, hereby abrogates that treaty.

It is to be added that the Imperial Government continues to be concerned with the preservation and protection on a reasonable basis of seals in the north Pacific ocean, and that the Imperial Government, for that purpose, is prepared to conclude a new agreement on the basis of fundamental principles mentioned in the attached memorandum.

I avail myself, et cetera, Yosuke Matsuoka, Minister for Foreign Affairs.

His Excellency Joseph Clark Grew, Ambassador Extraordinary and Plenipotentiary of the United States of America.

[Memorandum:]

1. Capture on the high seas shall be recognized. In order to avoid disputes regarding control of hunting, however, there is no objection to concluding a suitable agreement regarding hunting grounds or areas.

2. In regard to capture on land, each country, from its own peculiar standpoint, shall take appropriate measures.

3. The standard of the total number of seals in the North Pacific ocean shall be set at 850,000.

4. Seals captured and killed shall not be distributed among treaty countries.

5. Notice shall be given at appropriate times by the treaty countries of the numbers of seals in breeding places and rookeries, the estimated number of seals to be captured and the actual number of seals captured.

6. Should any treaty country propose an investigation or consultation concerning the condition of seal herds, the results of the completion [*carrying out*] of the agreement, or any other question related to the agreement, each treaty country shall take appropriate measures for the accomplishment of such a proposal.

7. The term of validity of the agreement shall be ten years. One year prior to the expiration of this ten-year term, treaty countries shall consult among themselves to decide whether or not it is desirable to continue the agreement (either with or without revision)."

Sent to the Department via Shanghai.

GREW

711.417/1093 : Telegram

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

WASHINGTON, November 8, 1940—4 p. m.

457. Reference your 1051, October 25, 11 a. m., and previous.

1. Please inform the Foreign Office that the contents of the Japanese Government's communications with regard to abrogation of the Fur Seal Convention of 1911 are being given careful study by the appropriate authorities of this Government and that we will expect to transmit at an early date the general views of the Government with reference to the Japanese proposals for a new agreement.

2. It is assumed that the Japanese Government has, in accordance with Article XVI of the Convention, given notice to all other parties to the Convention. Please confirm and inform the Department.

3. It is suggested that, if you perceive no objection, you indicate to the Foreign Office that it would be helpful, in connection with the study which is being made here of the Japanese proposals with respect to a possible new agreement, if the appropriate Japanese authorities could make available to this Government any information in their possession with regard to the migratory habits of fur seal herds of the North Pacific and the damage these herds have inflicted upon commercial fisheries of interest to Japan. This information would have especial value if fairly specific indication were to be given relative to the ocean areas where observations of fur seal herds and their feeding habits have been made.

HULL

711.417/1100

The Secretary of the Interior (Ickes) to the Secretary of State

WASHINGTON, November 25, 1940.

SIR: Reference is made to the conference on October 30 in the office of Mr. Leo D. Sturgeon, Assistant to the Counselor, Department of State, at which time a confidential memorandum was handed to Mr. Charles E. Jackson, Assistant Director, Fish and Wildlife Service, Department of the Interior, together with copies of two cablegrams, one dated October 24 and the other October 25, from Ambassador Grew at Tokyo with regard to the desire of the Japanese Government to modify the convention of 1911 between the United States, Japan, Great Britain, and Russia, for the protection of fur seals of the north Pacific.

Careful consideration has been given to this important subject and the conclusion has been reached that every effort should be made to dissuade the Japanese Government from taking the proposed action.

Any move in the direction indicated by Japan would be a backward step. It would destroy the work of restoring this great natural resource, which has been in progress since 1911 and is accepted widely as the world's outstanding achievement in the conservation of aquatic animals.

When the treaty became effective 29 years ago, the North American fur-seal herd which has its breeding grounds at the Pribilof Islands numbered approximately 125,000 animals. By 1940, the herd had increased to 2,185,136 animals and in the interim about 900,000 surplus seals had been killed for their pelts at the Pribilof Islands. The number of skins so taken in the sealing season of 1940 was 65,263, the largest take since 1889.

Under the present system of management, the fur-seal herd at the Pribilof Islands is in excellent condition and is increasing at the rate of about 8 percent per annum. Undoubtedly, the outstanding reason for the success being achieved toward restoring the herd to its original total of probably at least 4,000,000 animals, was the convention of 1911 which did away with the highly destructive practice of pelagic sealing. Pelagic sealing inevitably is extremely wasteful because of the impossibility of selective killing. Females, as well as males, are taken, and about four out of every five shot sink before being reached and thus are a total economic loss.

The fur-seal treaty provides that the Governments of Great Britain and Japan shall receive 15 percent each of the total number of seal-skins taken annually on the Pribilof Islands. Instead of taking actual delivery of the skins, Japan has always followed the practice of having its share sold in this country with those of the United States Government and receiving its due portion of the net proceeds. During the period of the fur-seal treaty the payments to the Government of Japan have been as follows:

Year	Amount	Year	Amount	Year	Amount
1913	\$200, 000. 00	1923	\$58, 583. 71	1933	\$2, 583. 53
1914	10, 000. 00	1924	35, 537. 75	1934	24, 658. 05
1915	10, 000. 00	1925	59, 847. 37	1935	34, 479. 94
1916	10, 000. 00	1926	43, 431. 08	1936	68, 035. 32
1917	10, 000. 00	1927	63, 048. 80	1937	73, 708. 40
1918	10, 000. 00	1928	66, 104. 18	1938	66, 254. 24
1919	(*)	1929	70, 843. 26	1939	54, 231. 85
1920	(*)	1930	62, 507. 32	1940	43, 938. 45
1921	217, 805. 34	1931	34, 703. 96		
1922	51, 844. 72	1932	44, 471. 94	Total	1, 426, 619. 21

* Under the terms of the North Pacific Sealing Convention of July 7, 1911, (Article XI), an advance payment of \$200,000 each was made to Great Britain and Japan, and \$10,000 annually in lieu of any share of skins during the years when the killing of seals was prohibited except for the use of the natives on the Pribilof Islands, and the United States reimbursed itself for such annual payments by retaining an additional number of skins from the shares of those Governments in subsequent years when killing was resumed. [Footnote in the original.]

For a number of years Great Britain (or the Dominion of Canada) also followed the practice of sharing in the net proceeds of sales, but beginning in 1933, and in each subsequent year except 1939, delivery in kind has been made to the Dominion of Canada of its share of the sealskins taken on the Pribilof Islands. The number thus delivered to that Government since 1932 has been as follows:

Year	Number	Year	Number
1933-----	8, 183	1937-----	8, 277
1934-----	8, 023	1938-----	8, 755
1935-----	8, 594	1940-----	9, 789
1936-----	7, 867		

Under the terms of the convention of 1911 whereby the United States receives 10 percent of the skins taken by Japan, the maximum number so received in any one year was 214. The total number thus allotted to the United States since the treaty became effective was 3,268. These skins are of no particular interest to the United States as, generally speaking, their quality has been lower and, after the heavy transportation cost from Japan and other expenses are deducted, the United States only breaks about even from a financial standpoint.

There follows a table showing the amounts turned in to the United States Treasury from proceeds of sale of sealskins for the years 1918 to 1940, inclusive, after deducting payments to the foreign governments of their shares under the convention, as well as costs of taking, curing, processing and selling the skins. These amounts include proceeds from sale of the United States' share of Japanese sealskins.

Fiscal Year	Amount	Fiscal Year	Amount	Fiscal Year	Amount
1918----	\$69, 946. 48	1927----	\$259, 751. 45	1936----	\$175, 950. 13
1919----	741, 197. 42	1928----	278, 885. 78	1937----	251, 112. 33
1920----	635, 223. 66	1929----	287, 833. 01	1938----	293, 512. 66
1921----	1, 123, 953. 13	1930----	240, 777. 92	1939----	171, 236. 68
1922----	117, 146. 70	1931----	85, 772. 87	1940-41-	141, 791. 31
1923----	238, 068. 79	1932----	125, 725. 84		
1924----	110, 956. 09	1933----	-----	Total	5, 775, 180. 53
1925----	208, 154. 92	1934----	-----		
1926----	161, 023. 91	1935----	52, 159. 45		

Attention is invited to the fact that upon two previous occasions representatives of the Japanese Government have had discussions with officials of the Department of State and representatives of other Government agencies concerning allegations by Japanese fishermen that the increase in the size of the Alaska fur-seal herd was detrimental to their interests for the reason that seals consumed large numbers of fish. This matter was discussed quite extensively in 1926 and to a lesser degree more recently.

The facts do not support any such contention, as evidence shows (1) that the American fur-seal herd does not proceed down the Asiatic coast on its annual southern migration, but instead goes down the North American coast to the latitude of southern California; and (2) that fur seals do not feed upon salmon to any appreciable extent, as proved conclusively by studies of the stomach contents, both by the Government of the United States and Canada. Their food consists chiefly of a small non-commercial species known as seal fish, and in addition they eat large quantities of squid. Some pollock and other species are consumed.

The best information available concerning the distribution and migration of Pribilof Islands fur seals is based upon a compilation of the catches of 123 pelagic sealing vessels aggregating more than 300,000 seals in the period 1883 to 1897. These records, though old, are conclusive as to the distribution of seals at sea, and there is no reason to believe that migration routes have changed in recent years.

The communication of October 25 from Ambassador Grew points out eight stipulations with regard to which the Japanese Government is prepared to conclude a new agreement. Taking up these items in order, comment is offered, as follows:

1. This proposal indicates that the capture of fur seals overseas shall be recognized and that there is no objection to concluding a suitable agreement concerning hunting grounds or areas. This appears to mean the resumption of pelagic sealing in defined places. It is felt that the Government of the United States should resist any action of this nature in every way possible, as such operations inevitably would result in a great reduction in the number of fur seals and ultimately bring about the unfavorable condition which existed when the treaty of 1911 was concluded.

2. This item indicates that each country shall regulate the capture of fur seals on land. Thus, killings at the Pribilof Islands would be under the regulation and control of the United States; killings at the Commander Islands, where the herd is estimated to number about 60,000 animals, would be under Russian direction; and operations on Robben Island, where the herd is believed to aggregate not over 40,000 animals, would be regulated by Japanese authorities. There appears to be no objection for each nation to handle such matters upon its own sealing grounds. Canada, however, does not possess any land where fur seals come ashore, but that country would be concerned with regard to sealing operations conducted by any other nations which might take toll of fur seals of the American herd migrating northward along the coast of British Columbia en route from its period of wintering off the coast of southern California.

3. This article indicates that the Japanese Government would like to fix the "standard" of the total number of seals in the north Pacific Ocean at 850,000. This, it is assumed, has reference to the total number of animals in the American as well as the Russian and Japanese herds. Upon the basis of the American herd containing approximately

2,185,000 animals, the Russian herd 60,000, and the Japanese herd 40,000, there would be at present a total of 2,285,000 fur seals in north Pacific waters. If these ratios are maintained, the proposed total of 850,000 would mean a reduction of the present herds to approximately 813,000 for the United States, 22,000 for Russia, and 15,000 for Japan. This would mean a reduction of about 63 percent in the present American fur-seal herd, or a total of about 1,372,000 animals. Upon the basis of previous sealing experience at the Pribilof Islands, a herd of this size could not be expected to produce over 25,000 seals per annum. This is very undesirable from the standpoint of the Government of the United States.

4. This item indicates that seals captured and killed should not be divisible among treaty countries. This does away with the present treaty provision whereby Japan and Great Britain (Canada) each are entitled to 15 percent of the animals obtained in controlled land killing operations at the Pribilof Islands. The fact that the Japanese Government has allowed its share of skins to be dressed, dyed and sold at public auction in the United States has given industry in this country the benefit of the work thus involved.

5. This item indicates that there shall be an exchange of information at appropriate times by the nations signatory to the treaty with regard to the numbers of seals on breeding grounds and rookeries, the estimated number to be captured, and the actual number of seals taken. There appears to be no objection to the complete and full exchange of information concerning these matters.

6. This stipulation would require any of the signatories of the new treaty to participate in any investigation or consultation concerning the condition of the seal herds, the results of the agreement, or any other question pertaining to the agreement when and if any treaty country should propose such action. There appears to be no objection to working out something along this line.

7. This article would fix the term of the agreement or treaty for a period of 10 years. There seems to be no objection to this proposal, although it might be better to endeavor to have the agreement run for a period of 15 years as with regard to the convention of 1911.

8. This item proposes that prior to the expiration of the proposed 10-year term to be covered by the treaty the signatories shall consult among themselves as to whether it is desirable to continue the agreement either with or without revision. This is believed to be a desirable undertaking. It appears to make it obligatory upon the signatories of the treaty to have a conference 9 years after the new arrangement becomes effective. The fur-seal convention of 1911 contains something of a similar nature, although it fixes no time as to when a conference shall be called. The treaty of 1911 specifies that at any time prior to the termination of the convention a conference may be requested by any one of the high-contracting parties between representatives of all the parties to the convention to consider and, if possible, agree upon an extension of the convention with any additions and modifications that may be found desirable.

The Department of the Interior suggests that the Department of State ascertain the attitude of the Canadian Government and of the

Russian Government with regard to the proposal of the Japanese Government to modify the fur-seal convention of 1911. While neither of these nations has as great an interest in the matter as the United States, nevertheless it is felt that action which they may desire to take may have important bearing upon the subject.

If it is determined that the action of the Japanese Government in advising Ambassador Grew on October 23 is sufficient to constitute the 12-months notice of abrogation of the treaty of 1911, operations would continue through the sealing season of 1941, as killing operations at the Pribilof Islands are concluded usually about the end of July or early in August.

After considering the matter from all angles it is the opinion of the Department of the Interior that a conference should be held in Washington by representatives of the four nations signatory to the present fur-seal convention with the view of developing the best possible arrangement for future action in dealing with the protection and utilization of the fur seals of the north Pacific. It is suggested that any such conference include discussions also with regard to the protection of sea otters which are covered by the convention of 1911.

Very truly yours,

HAROLD L. ICKES

711.417/1103: Telegram

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

TOKYO, December 6, 1940—2 p. m.

[Received December 6—9:18 a. m.]

1281. Department's 457, November 8, 4 p. m. In a formal note dated December 2 the Foreign Office informs us that the Japanese Government has given notice of abrogation of the Fur Seal Convention of 1911 to all the signatories.

GREW

RENEWAL OF AGREEMENT BETWEEN THE UNITED STATES AND JAPAN REGARDING EXPORT OF JAPANESE TEXTILES TO THE PHILIPPINES⁴⁷

611b.9417/337

Memorandum by the Chief of the Division of Philippine Affairs (Jacobs) of a Conversation With the Counselor of the Japanese Embassy (Morishima)

[WASHINGTON,] June 4, 1940.

Mr. Morishima called to inform me that his Embassy had been instructed by the Japanese Government to say that the Association of

⁴⁷ For previous correspondence, see *Foreign Relations*, 1939, vol. iv, pp. 462 ff.

Japanese Exporters of Cotton Piece Goods desired a renewal for *two* years of the existing agreement limiting the importation of Japanese cotton textiles into the Philippines ⁴⁸ to 45,000,000 square meters per annum. He said that his Government was very anxious to have the renewal made for *two* years in order to avoid having the question brought up so often. He thought that it would be to the best interests of both the American and Japanese textile manufacturers to have the situation stabilized for a period at least that long.

I told Mr. Morishima that I would place the matter before those concerned and communicate with him later.

J[OSEPH] E. J[ACOBS]

611b.9417/883a : Telegram

The Secretary of State to the High Commissioner in the Philippine Islands (Sayre)

WASHINGTON, June 24, 1940—5 p. m.

136. The Japanese Ambassador ⁴⁹ has informed the Department of State that the Association of Japanese Exporters of Cotton Piece Goods desires a renewal for a period of 2 years, beginning August 1, 1940, of the existing arrangement relating to the importation into the Philippines of Japanese cotton piece goods. The American cotton textile interests favor a renewal of the arrangement for 1 year only. In view of the world situation today, which makes it extremely difficult to work out any new solution of the problem at this time, the various departments and agencies here concerned feel that this arrangement should be renewed for one year, but, before making this counter proposal to the Japanese Embassy, the Department desires to have your comments and those of the Commonwealth authorities.

Please expedite a reply as only 5 weeks remain before the expiration of the present arrangement.

HULL

611b.9417/834 : Telegram

The High Commissioner in the Philippine Islands (Sayre) to the Secretary of State

MANILA, July 3, 1940—6 p. m.
[Received July 3—2:43 p. m.]

428. Reference your 100 [136], following received from secretary to President Quezon: ⁵⁰

⁴⁸ See exchange of memoranda, July 19-20, 1939, *Foreign Relations*, 1939, vol. IV, pp. 466-467.

⁴⁹ Kensuke Horinouchi.

⁵⁰ Manuel L. Quezon, President of the Philippine Commonwealth.

"The Commonwealth Government will have no objection to the extension for 1 year only, as suggested by the State Department, beginning August 1, 1940, of the Japanese cotton textile agreement. The Commonwealth Government, however, reserves the right to modify its tariff on textiles as circumstances may require."

I agree that in view of world situation it would be desirable to extend existing arrangement 1 year.

SAYRE

[On July 8 the Counselor of the Japanese Embassy and the Chief of the Office of Philippine Affairs consulted in regard to a further exchange of memoranda.]

611B.9417/334

The Department of State to the Japanese Embassy

MEMORANDUM

The Japanese Embassy having informed the Department of State that the Japanese Government and the Association of Japanese Exporters of Cotton Piece Goods desire a renewal of the existing arrangement relating to the importation of Japanese cotton piece goods into the Philippines, the United States Government wishes to declare to the 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, 1940 through July 31, 1941, toward the importation 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, 1941. 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 10, 1940.

611b.9417/335

The Japanese Embassy to the Department of State

MEMORANDUM

With reference to the Memorandum of the Department of State, dated July 10, 1940, declaring the policy of the United States Government for the period August 1, 1940 through July 31, 1941, 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, 1940 through July 31, 1941, 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 10, 1940, and will continue its voluntary efforts to maintain its restrictions upon shipments via intermediary ports.⁵²

[WASHINGTON,] July 11, 1940.

TRIAL BY JAPANESE OF AMERICAN CORRESPONDENT FOR REPORTS DEROGATORY TO JAPANESE ARMY; REFUSAL TO ALLOW AMERICAN EMBASSY TO COMMUNICATE WITH PRISONER REGARDING CASE

394.1121 Young, James/8: Telegram

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

TOKYO, January 31, 1940—7 p. m.

[Received January 31—9:20 a. m.]

68. Embassy's 63, January 29, 6 p. m.⁵³

1. The Embassy has received from the Foreign Office a written statement of which the following is a translation:

"During the present China incident Mr. James Young, representative for the Far East of the International News Service and special representative of the King Features Syndicate, departed from Nagasaki for China on the *Nagasaki Maru* on October 16th. He visited

⁵² For press release issued by the Department July 15, covering the exchange of memoranda, see Department of State *Bulletin*, July 20, 1940, p. 36. Subsequently, in June 1941, the proposal to renew the agreement was broached by the Japanese Embassy and was under consideration by the Department when "there occurred the Japanese push into Indochina and it was agreed by Mr. Welles [Under Secretary of State] and Mr. Acheson [Assistant Secretary of State] that the agreement should be allowed to lapse." On July 28, 1941, the Japanese Embassy was told "that the Department was not prepared to take any action at this time."

⁵³ Not printed.

Shanghai, Nanking, Hong Kong, Chungking, Kunming, Hanoi, Tsingtao, Tsinan, Tientsin, Peiping, Hsinking and Mukden and returned to Tokyo on January 6.

(1) During above mentioned journey he despatched from Shanghai and other places in China about 38 news reports containing extremely disparaging and defamatory items concerning the Japanese troops engaged in military operations in various places in China. These despatches he sent to his several home offices and to newspapers and magazines, et cetera, in Japan.

(2) From January 6 to January 19 at the Imperial Hotel and in other places he made false statements and circulated misleading reports in the presence of many Japanese and foreign residents concerning the activities of the Japanese military. The provisions of Articles 2, 3 and 99 of the military criminal code are applicable in this case."

2. Article 99 provides that "those who have circulated false statements and groundless rumors regarding military affairs in time of war or incident shall be sentenced to imprisonment of less than 3 years."

Article 2 makes the law applicable to non-military persons and article 3 makes it applicable to crimes committed outside of Japanese territory.

3. The Foreign Office informed us orally that it is endeavoring to make arrangements for a member of the Embassy staff to visit Young.

GREW

894.1121 Young, James/13 : Telegram

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

TOKYO, February 3, 1940—midnight.

[Received February 3—2: 05 p. m.]

82. Department's 43, February 2, 3 p. m.⁵⁴

1. An attorney will not be permitted to visit Young until the termination of the preliminary examination by the police which may continue for some time longer and until the case is turned over to the judicial authorities. Although an attorney could render no direct assistance at the present time, the Embassy will immediately proceed to prepare a list of qualified attorneys for the Department's reference.

2. On our own initiative and prior to the receipt of the Department's telegram the Embassy today made an informal request of the Foreign Office for opportunity for a member of the staff to discuss the case with Young.

GREW

⁵⁴ Not printed.

394.1121 Young, James/14: Telegram

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

TOKYO, February 5, 1940—6 p. m.
[Received February 5—8:42 a. m.]

84. Department's telegram No. 43, February 2, 3 p. m.,⁵⁵ case of James Young.

1. Foreign Office advises us informally that request for opportunity to discuss case with Young if made prior to completion of preliminary examination would be regarded by police authorities as attempted interference with normal procedure and might prejudice case. I consider this advice sound and will not press the request unless instructed to do so by the Department.⁵⁶

2. The Foreign Office also advises that the military have had no concern in the case. This is at least an encouraging circumstance.

GREW

394.1121 Young, James/31: Telegram

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

TOKYO, March 11, 1940—7 p. m.
[Received March 11—9:45 a. m.]

166. The first session of Young's trial was held today *in camera*. Mrs. Young, Turner⁵⁷ and one friend Durgin⁵⁸ were the only spectators. The charges center around 6 articles written by Young and sent to Japanese publications; 3 were mailed from Hong Kong and 3 delivered by him after his return to Tokyo; all of them were identical with or similar to those transmitted with my despatch 4434 of January 23.⁵⁵ Young is charged with reporting that the Japanese Army is implicated in the opium traffic; that incendiary bombs were dropped by Japanese airplanes on non-military portion of Chungking causing wide destruction and death of 7,000 civilians; that Japanese troops had occupied and committed depredations in American institutional properties; that the Japanese Army had resorted to the use of poison gas against the Chinese when hard pressed, et cetera. No documentary statement of the charges is available; the above outline is reported from memory. The proceedings today were confined to

⁵⁵ Not printed.

⁵⁶ The Ambassador reported in his telegram No. 150, March 2, that acting informally and unofficially through influential Japanese friends he had left nothing undone on behalf of James R. Young (394.1121 Young, James/26).

⁵⁷ William T. Turner, Second Secretary of Embassy in Japan.

⁵⁸ Russell L. Durgin.

reviewing the charges and questioning the accused. The next session of the trial will be on the 15th, and there will probably be a third session. Young comported himself well and seems to have made a good impression on the court.

GREW

394.1121 Young, James/34 : Telegram

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

Тоkyo, March 15, 1940—9 p. m.
[Received March 15—10:20 a. m.]

180. Our 166, March 11, 7 p. m.

1. Young's trial was concluded with today's proceedings in which were heard the testimony of a character witness, Seishichi Iwasaki who is a prominent industrialist; the procurator's charge; and lawyers' pleas.

2. The procurator demanded a sentence of 10 months imprisonment and said that he had taken into consideration special factors such as Young's status as a foreign correspondent; his lack of malicious intent; and his unfamiliarity with the law.

3. The lawyer's defense was as might be expected largely concerned with extenuating factors such as those mentioned above, but considerable stress was laid on the importance of the case in its effect on American public opinion in the present international situation. Young's part in influencing the Hearst press toward adopting a favorable attitude towards Japan was also emphasized.

4. The sentence demanded is lighter than we had anticipated and is believed to be a favorable indication of the court's attitude.

5. Sentence will be pronounced March 22. In the meantime further effort to arrange bail is being made.

GREW

394.1121 Young, James/ 38 : Telegram

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

Тоkyo, March 22, 1940—7 p. m.
[Received March 22—9 a. m.]

192. Our 180, March 15, 9 p. m. Today Young was given a suspended sentence of 6 months with a period of probation of 3 years. The Embassy understands that this means that he will be under no restraint as to movement, subject to the possible revocation of the suspension of his sentence, should his offense be repeated. Both he and the prosecutor have the right of appeal which may be exercised

during a period of 7 days. Under the circumstances, the Embassy believes that Young will not make an appeal. In the meantime, pending a formal decision as to whether the prosecutor will make an appeal, which is also believed unlikely, Young will be released on bail this evening or tomorrow.⁶⁰ Should neither party appeal, Young will be given his freedom, with the limitation expressed in the first sentence above.⁶¹

GREW

394.1121 Young, James/47

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

No. 4640

TOKYO, April 9, 1940.

[Received May 6.]

SIR: In continuation of my despatch no. 4502 of February 15, 1940,⁶² in regard to the case of Mr. James R. Young, Tokyo representative of the International News Service, who was arrested on January 21, 1940, on the charge of violating the Military Penal Code, I have the honor to report further developments in regard to the case.

[Here follows report of case.]

A final word should be added in regard to Mr. Young's trial. The question arises whether or not Mr. Young was given a fair trial and whether the sentence pronounced by the court was justified. Without attempting to answer these questions, the following facts are submitted for consideration: The entire affair, from the time of Mr. Young's arrest until his final release, occupied almost exactly 3 months, which is not an unusually long time for an important case to be decided either in Japan or in certain other countries; there was at no time any evidence of discrimination against Mr. Young on account of his American citizenship—in fact the contrary is true; Mr. Young and his attorneys were permitted to explain his side of the case in detail to the court; there was at no time any attempt at intimidation or evidence of ill will. To an American citizen who carries with him the tradition of freedom of speech, the trial might appear unfair and the sentence unjust. On the other hand it would be hard to find a Japanese who, on the basis of the evidence submitted, would not regard the conviction and sentence as eminently just. Without expressing any opinion in

⁶⁰ The Ambassador in Japan reported in his telegram No. 194, March 22, 8 p. m., the release of Young on bail (394.1121 Young, James/37).

⁶² The Ambassador in Japan reported in his telegram No. 213, March 30, 1 p. m., that the court's judgment became final at midnight, March 29, neither party having appealed (394.1121 Young, James/42).

⁶¹ Not printed.

regard to whether or not there was a miscarriage of justice in this case, I feel that in view of all the circumstances neither Mr. Young nor the Embassy have any cause for complaint in regard to the outcome of the case.

On the other hand, I do not regard with satisfaction the situation, remarked earlier in this despatch, wherein the authorities have refused to permit the Embassy to communicate with an imprisoned American citizen in regard to his case and wherein on occasion a representative of the Embassy has been refused permission to visit the accused for any purpose.⁶³ The treatment in respect of visits to Mr. Young does not appear to be consistent with assurances given by the Japanese Embassy in Washington during discussions carried on in 1936 and 1937 looking toward the conclusion of a consular convention.⁶⁴ It is the recollection of officers now on my staff that the Japanese Embassy in Washington declared that after the completion of the police examination and after the handing over of a case to the judicial authorities by the police, visits to the accused by an official representative of his country would be freely granted as a matter of right. Mention of these assurances was made in an official note addressed by me to the Foreign Minister⁶⁵ with a request for permission for an interview with Mr. Young to discuss the case. The reply of the Foreign Office sets forth that "the purpose of these assurances was that interviews might be allowed in accordance with Japanese law. . . ."⁶⁶ It is obvious from these words that the assurances are valueless, just as it is obvious from the attitude of the authorities in the present case that they will not permit interviews, if inconvenient, regardless of permissive provisions of law.

Whatever explanation might later be given by the Japanese, the fact remains that despite repeated requests by the Embassy, oral and written, at no time during the three months of Mr. Young's detention, imprisonment and trial, did the authorities permit an interview for the purpose of discussing his case between him and an official of the American Government. Although in this case, as has been pointed out, the authorities gave every evidence of a desire to be considerate, yet the fact remains that the consideration shown to Mr. Young was due to the goodwill of the authorities and was not because of any protection provided by law or treaty. In different circumstances an

⁶³ Two visits by a member of the Embassy staff were allowed, on February 2 and 19 respectively, and on each visit conditions were made that the conversation, limited to a few minutes, be in Japanese and that the case not be discussed.

⁶⁴ See *Foreign Relations*, 1937, vol. iv, pp. 816 ff.

⁶⁵ Not printed.

⁶⁶ See page 3 of enclosure no. 2 for citations of Japanese law. [Footnote in the original; enclosure not printed. Omission also indicated in the original.]

American citizen accused of committing a crime might receive in Japan treatment entirely different from that accorded to Mr. Young without the possibility under present conditions of effective intervention by the Embassy.

As of possible further interest in connection with this case there is enclosed an extract from my diary under date of March 26.

The case of Mr. Young has been discussed in some detail in the foregoing paragraphs as it is felt that this case may have some importance as a precedent. It is clear that at the present time American citizens in Japan do not have a desirable measure of security in respect of what are considered fundamental rights, and that safeguards which would assure to American citizens treatment compatible with those rights did not exist even in the recently terminated Treaty of Commerce and Navigation.⁶⁶ If at some future time there is contemplated the conclusion of a general commercial treaty or of a consular convention with Japan, it is suggested that study of the present case might be useful in the effort to modify the situation arising out of the discrepancy between Japanese and American laws. Any proposal that the criminal procedure applicable to American citizens in Japan shall be similar to that obtaining in the United States may be expected to be resisted by the Japanese Government on the ground that American citizens cannot be treated more favorably than its own nationals. Nevertheless, cases such as that of Mr. Young will continue to arise until this discrepancy in the criminal procedures of the two countries can be circumvented.

Respectfully yours,

JOSEPH C. GREW

[Enclosure]

Extract From the Diary of Ambassador Grew, Dated March 26, 1940

Jimmie Young came in, just released after two months in jail. He looked blooming in health and seemed full of good spirits. The police treated him very well in jail and although he had to sleep on a plank he had his food brought in from the Imperial Hotel. My fur coat, which I lent him, apparently created a tremendous impression on the officers. I think that the gesture helped him almost as much as the coat itself which he said really saved his life. He had no criticism at all as to the investigation and ensuing trial and his attitude is that he has had it coming to him for a long time. There is no indication of any rankling whatsoever. At the trial he was able to substantiate all of his statements which had been characterized as false rumors

⁶⁶ Signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315; for termination, see *ante*, pp. 625 ff.

and which formed the basis of the charges; if the trial had been public instead of *in camera* Japan would have been treated to a sensation of the first water and would have learned a thing or two about its own army. Even in the secret proceedings a great many points were passed over as being too full of dynamite. One of these points was the presence of Japanese prisoners taken by the Chinese; the Japanese public believe that not a single prisoner has ever been taken and even the Judge held up his hands in horror at the idea, but Young was able to substantiate his statements by photographs of the prisoners with whom he himself had talked. The army's practice of spreading narcotics among the Chinese was another point, fully proven but disregarded in the trial. But eastern logic and eastern justice are not always identical with western logic and justice, and Young was let off as easily as he could have expected, with a sentence of six months imprisonment suspended for three years—in other words, he is placed on three years probation during which he must [not] commit the same crime.

THAILAND

(For correspondence regarding Thailand, see section entitled
"Southward Advance of Japanese Expansionist Movement,"
pp. 1 ff.)



INDEX



INDEX

- Agreements. *See* Treaties, conventions, etc.
- Airplanes. *See* under Aviation.
- Alliances or entangling commitments, U. S. policy to avoid, 439, 693, 695, 697
- American journalists: Deportation from China, ordered by Wang Ching-wei, 889, 890-891; International News Service correspondent, imprisonment and trial in Japan, 995-1002; United Press correspondent, forced to leave Indochina, 243
- American Radio Service at Tientsin, attitude of the Department of State regarding activities, 913-930
- Anti-American press in Japan and Japanese-controlled China, 408, 410, 413, 424-425, 754, 888
- Anti-Comintern Pact (1937), 163, 266, 435
- Anti-Comintern Pact between Japan and China, proposed, 435
- Arms and munitions. *See* under Indochina; Netherlands East Indies; Soviet Union; Thailand; Undeclared war: China; *also* Undeclared war: Japan: War material.
- Asiatic Petroleum Co., 77, 78
- Australia. *See* under Undeclared war.
- Aviation:
- Airplanes: American planes sought by France, Indochina, and Thailand, 92, 93, 116, 138, 146, 162, 176, 187, 199-200, 233; American planes for China, 662, 673, 680, 682-684, 685-688, 690, 691, 694, 696, 697, 699, 705-706; Soviet planes for China, 685, 686-687, 687-688, 699, 710, 714
 - American aviators: As instructors or technical advisers in China, question of, 251, 706, 711; as volunteers for service in China, question of, 671, 673, 677-678, 706
 - Aviation gasoline. *See* under Petroleum products.
- Axis powers: China, German pressure to join, 436-437, 444, 445-446, 456; Japan, relations with, 4, 62, 66, 110, 112, 137, 168, 187, 230, 314-315, 321, 340, 365, 398, 399, 406, 413, 415-416, 435, 440, 462, 464, 965, 967, 968, 969, 982-983; Thailand, relations with, 182, 223-224
- Belligerent rights. *See* under Undeclared war.
- Boxer Protocol (1901) and indemnity funds, 332, 417, 722
- Burma (*see also* Burma and Burma Road under Undeclared war), 27, 43, 45, 209, 393
- Canada, question of agreement with United States on export license procedures, 605-607, 609, 610-611
- Central Bank of China, 670, 680, 686
- Chiang Kai-shek:
- Communists, Chinese, relations with, 404, 410-411, 429-431, 472-473
 - Confidence of nation, 283, 287, 297, 385, 467, 480
 - Messages to friendly powers and personages concerning—
 - Japanese policy of conquest, 274-275, 335
 - Military and financial conditions, 656-657
 - Sino-Japanese war, review, 392-394
 - U. S. aid, addressed to President Roosevelt and the Secretaries of State and Treasury, 648, 656-657, 682, 688-689, 710, 711, 712
 - Sino-Anglo-American cooperation in Far East, plan, 439-440, 684-685, 689-692, 693-695
 - Tripartite Pact, comment and inquiries, 158, 170-171
- China (*see also* Undeclared war):
- Chiang Kai-shek. *See* Chiang Kai-shek.
 - Chou En-lai, 313, 404, 410, 430, 451, 452
 - Communists, Chinese:
 - Ascendancy in China, possible outcome, 430, 479, 482-483
 - Kuomintang, friction with, followed by negotiations, 287, 319, 404, 410-411, 429-431, 452, 453, 460, 474-475, 479-481
 - Number of Communist troops, 451
 - Opposition to Chinese National Government, 303-304, 313, 429-430, 450-453, 456, 460, 471-472, 472-473, 474, 476, 478, 480, 672, 673, 674, 684
 - Propaganda campaign, 319, 431, 475

China—Continued

- Courts. *See under* Undeclared war: International Settlement at Shanghai and Shanghai: French Concession.
- Customs problems:
Administration, 484, 504, 510, 511, 533, 716, 717, 719, 724, 725-727
Duties, 502, 584, 585
Integrity of Chinese customs, U. S. concern, 487, 499, 505, 718, 719-720, 722
Interference by Japan, 484-485, 486-487, 489, 499, 500, 503, 718, 719, 720-721, 722, 723, 726; by Wang Ching-wei regime, 720, 723, 724
- Economic and financial matters (*see also* Customs problems, *supra*, and Economic life, *infra*):
Currency:
Japanese currency in Manchuria, Inner Mongolia, and North China, 260, 295, 506, 508, 511-513, 525-527
Stabilization of Chinese dollar, question of, 448, 457, 525, 557, 564, 640-641, 642, 644-646, 651, 652, 654-658, 708; letter from Chiang Kai-shek to President Roosevelt, 656-657
Wheat as gift from United States, consideration as possibility in support of Chinese currency, 640-641, 644-645, 651
- Financial aid to China (*see also* Currency, *supra*):
British loan, Chinese desire for, 638
Chinese deposits in U. S. banks, question of freezing, 653-654, 659
French, British, and U. S. loan to be secured by Chinese metals, discussion, 321-322
U. S. loans and credits: General discussions, 640, 641, 658-659, 680, 691, 697; \$20,000,000 loan (*March*), secured on tin, 637, 641, 643, 645, 647-648, 649, 650; \$25,000,000 loan (*October*), secured on tungsten ore, 149*n*, 151, 316, 456, 462, 670-671, 673, 677; \$100,000,000 loan, 564, 618, 702-703, 706, 707, 710, 711, 715
Visit of T. V. Soong to United States on financial mission, 661, 663-668
- Economic life, control by Japanese in Japanese interest, 260, 262, 272, 312, 333, 338, 342, 344, 347, 349, 384, 386, 442, 447-448, 450, 513

China—Continued

- Embargo on cigarettes containing American tobacco, 652
Extraterritoriality, 316, 754, 869, 927, 939
France, aid from, 263, 269, 278, 302, 303, 314
Franco-Chinese treaty (1930), granting right to import munitions through Indochina, 34-35
Germany, relations with, 407; pressure on China to join Axis, 436-437, 444, 445-446, 456, 463
Internal conditions as reported by Chinese officials, 377-378, 669-670, 672-674; by U. S. officials, 258-259, 260-261, 285-287, 294-296, 409-410, 432-433, 477-484, 674-677, 678-679
Italy, relations with, 277, 278, 285, 304
Kuomintang, friction with Communists, followed by negotiations and grant of sphere of interest, 287, 319, 404, 410-411, 429-431, 452, 453, 460, 474-475, 479-481
Loans and credits. *See* Economic and financial matters: Financial aid, *supra*.
Mao Tse-tung, 304, 431, 475
Soong, T. V., visit to United States, 661, 663-668
Soviet Union, relations with, 252, 271, 277, 374, 378, 404, 406, 407-408, 420, 428, 429, 432, 463-464, 637, 638, 663, 669, 672, 680, 692, 702, 705, 708, 709-710
United Kingdom: Aid for China, 695-696, 700-702; loans and credits, 321, 564, 708
Wang Ching-wei. *See under* Undeclared war.
- China Affairs Board, 345, 357, 358
China Trade Act (1922), 939
Chinese Industrial Cooperatives, 477
Chinese Land Bureau, 752-754
Chinkiang, reopening of customhouse, 484, 486, 500, 504, 719
Chou En-lai, 313, 404, 410, 430, 451, 452
Communism (*see also* China: Communists), 435, 458, 461
Conventions. *See* Treaties, conventions, etc.
Co-prosperity sphere, 146, 187
- Defense forces of Australia, New Zealand, Netherlands East Indies, and Singapore, conference suggested, 160, 167-168, 168-169
Diplomatic officers, U. S., refusal by Japan of right to communicate with imprisoned American citizen, 995-1002
- East Asia economic bloc, 59, 60, 63

- Economic control, British plan for joint control of exports to Japan by British Empire, United States, and Netherlands, 613-614, 619; U. S. attitude, 615-616, 619-620
- Embargoes. *See under* Undeclared war.
- Far East policy, French, official review of, 131-134
- Far East settlement by Anglo-American-Japanese negotiations, proposed, 362, 366, 368, 374-375; U. S. attitude, 363-364, 369-370, 370-372
- Flag, American, question of display in bombing raids, 879, 883
- France (*see also* Indochina; Thailand):
 Airplanes: Immobilized at Martinique, 82, 138, 147, 233, 244, 246; purchased in United States, need for, 93, 239
 Airplanes and fleet, movement to Far East, 82
 Chiang Kai-shek, aid for, 263, 302-303, 314
 Chinese-French treaty (1930), granting China right to import munitions through Indochina, 34-35
 Collapse of resistance to Germany, 138, 356, 367, 375-376, 406-407, 415, 698
 Commercial relations with Japan, 250, 280, 320
 Embargo, proposed, on exports to Japan, 280, 293-294
 Far East policy, official review of, 131-134
 Franco-Japanese treaty (1907), agreement by Japan to French rights in Indochina under, 80, 81, 93
 Loan to China by France, United Kingdom, and United States, discussion, 321-322
 Military units in China, 331-332, 348, 350, 352-353, 418-419
 Netherlands possessions in Pacific area, maintenance of *status quo* favored, 9-10; U. S. attitude, 12
 Shanghai, withdrawal from "special military area", 749-750, 753
 State of war between China and Japan, Japanese claim of belligerent status questioned, 269
 Wang Ching-wei regime, Chinese courts in French Concession at Shanghai handed over to, 456, 730, 758-759, 810-812, 816-817, 819, 824, 825-826, 827-828, 829-830, 831, 832; Chinese Government, attitude, 456, 826, 829, 830; U. S. attitude, 828-829, 832
- French Concession at Shanghai. *See* Undeclared war: Shanghai: French Concession.
- French Indochina. *See* Indochina.
- Fur seals treaty of 1911. *See under* Japan.
- Germany (*see also* Axis Powers):
 Promise to return parts of Indochina to Thailand, 21, 114, 181, 182, 223
 Recognition of Wang Ching-wei regime in China, question of, 285, 432, 437, 458, 463
 Tripartite Pact between Germany, Italy, and Japan (*Sept. 27*). *See under* Treaties.
- Good offices of President Roosevelt in Sino-Japanese conflict, Chinese desire for, 315, 324, 379
- Hong Kong. *See under* Undeclared war.
- Indochina, French (*see also* Thailand: Provinces):
 Arms and munitions:
 Miscellaneous, 35, 80, 81, 93, 101, 110, 129, 201, 239, 241
 Munitions purchased by France for Indochina, possibility of seizure by Japan, 172, 180, 196
 Requests for, 92, 116, 138, 146, 227, 233, 243-244, 250; U. S. reply, 232-233
 U. S. reference to planes immobilized at Martinique, 146-147, 232-233
 Chinese-French treaty (1930), granting China the right to import munitions through Indochina, 34-35
 Chinese in, Japanese claim of right to search under agreement of *Sept. 22*, 247
 Clash between Japanese and Indochinese (French) troops, 143, 144, 146, 154
 Commercial preference, granted to Japan by France, 245
 Djibouti and France, question of transporting troops from, to Indochina, 172-173, 201, 205, 239, 242
 Economic cooperation, Japanese offer to France in return for bases at Tongking, 62, 80
 Embargo on exports to British Empire and prohibition of British ships, and British action, 226, 246
 Evacuation of Japanese from Hanoi and Tongking, 126, 130, 137
 Franco-Japanese treaty (1907), according France rights in Indochina, Japanese support, 80, 81, 93
 Internal conditions, 179-180
 Japanese domination in, U. S. statements and French replies, 104-105, 106-107, 132-134, 235-236, 239-240
 Maintenance of *status quo*, attitude of—
 China, 71

- Indochina, French—Continued
- Maintenance of *status quo*, attitude of—Continued
 - France, 37, 38, 62, 70, 81, 86–87, 107
 - Japan, 80, 101, 107, 119
 - Thailand, 79, 113, 164–167, 178, 181–182, 189–190
 - United Kingdom, 36, 99, 114, 118, 135, 166, 177–179, 182, 191, 246
 - United States, 38, 71, 74, 84, 92, 99, 101–102, 103, 105, 108, 118, 123, 124, 126, 140, 178–179, 185, 188, 191, 246
 - Munitions. *See* Arms and munitions, *supra*.
 - Objective of Japanese southward advance, 444–445, 446; U. S. views, 245–246
 - Occupation, Japanese:
 - Agreement, *Aug. 30*, Franco-Japanese, for passage of Japanese troops and use of bases, 86–87, 93–94, 100, 104, 106, 110, 112, 134, 194, 196, 197, 200, 212, 218; U. S. view, 106–107
 - Agreement, *Sept. 22*, for occupation of air bases signed by French and Japanese generals, 141–142, 143, 144, 145, 146, 149, 151, 153, 156, 162
 - Air and naval bases and control of Saigon, Japanese demand for (*Nov. 26*), 221, 223, 226, 227, 228
 - Military accord, *Sept. 4*, between France and Japan relating to Indochina, negotiations, 101, 102, 103, 110, 128, 130, 133–134, 139, 141, 143, 144
 - Political agreement, Franco-Japanese (*Aug. 31*) recognizing French sovereignty over Indochina and Japanese preponderant interest, 100–101, 111, 129, 133, 144; French position, 139; U. S. attitude, 104–105, 130
 - Ultimatum, Japanese (*Aug. 4*), to allow passage of armed forces in Tongking and use of bases, 62, 68, 69–70, 80, 81, 82–83, 92; British attitude, 112, 118–120; Chinese attitude, 66, 71, 75, 82, 89–90; French attitude and acceptance, 64, 67, 69, 80–81, 82, 85–87, 92, 93–94, 100, 112, 116, 117, 119, 124; Indochinese attitude, 93, 100; U. S. attitude, 65, 66, 68, 72, 74, 92, 95–96, 106–107, 124
 - Ultimatum, Japanese, relating to stationing of Japanese troops in Indochina (*see also* Agreement, *Sept. 22, supra*), 127, 130, 131, 136, 141, 142, 156
 - Petroleum products, Japanese action on shipment of, 30, 32, 33, 57, 202, 203, 208
- Indochina, French—Continued
- Transportation routes through Indochina, and frontier, Japanese demand for closing of, 25–26, 27, 29, 30, 32, 33, 34, 49, 279, 280, 661, 665, 748; French attitude, 67, 279, 378, 379, 388; U. S. attitude, 53, 54, 55
 - U. S. request that merchandise of U. S. origin financed by U. S. credits be released in Indochina for re-export, and French reply, 203–204, 204–205
 - Indochina-Yunnan Railway, bombing by Japan:
 - Chinese defense, 252, 636
 - French protests, 258, 262–265, 269, 279, 295, 314, 320; Japanese reply, 263, 269, 314, 320
 - U. S. representations, 35, 299
 - Italy:
 - China, relations with, 277, 278, 285, 304
 - Entry into European war, question of European military units in China, 331–332, 347, 348, 350, 352–353, 418–419
 - Wang Ching-wei regime, question of recognition, 273–274, 277, 304, 432, 436–437, 446, 458, 468
 - Japan (*see also* China; Indochina; Netherlands East Indies; Thailand; Undeclared war), 957–1002
 - Anti-American campaign in press, 408, 410, 413
 - Arbitration of Indochinese-Thai dispute, offer rejected by France, 233–234, 239
 - Axis Powers, relations with, 4, 365, 398, 399, 406, 413, 435, 440, 462, 464, 965, 967, 968, 982
 - Communism, Japanese attitude, 435, 458, 561
 - Economic problems, 2, 5, 8, 17, 21, 22, 24, 39, 90, 254, 318, 422, 515
 - European war, policy of non-involvement in, 14, 237, 254, 345, 347, 350, 384
 - Expansionist movement, southward advance of. *See* Indochina, Netherlands East Indies, and Thailand.
 - Fur seals treaty of 1911, Japanese notice to terminate, 984–992; U. S. views, 987–992
 - Internal political developments:
 - Ascendancy of military elements, 3, 27, 28, 29, 60, 62, 80, 92, 94–95, 106, 112, 141, 143, 155, 205, 218, 241, 247, 256, 258–259, 267, 268, 275, 283, 293, 317, 320, 350, 356–358, 359, 364, 374, 403, 423, 442, 445, 449–450, 549–550, 601–602

Japan—Continued

Internal political developments—Con.

- Cabinet changes and reorganization, 957, 959, 962, 965-966, 968
- Political parties, status of, and consideration of national party, 19, 58, 259, 962, 963, 969-973, 974-977, 983
- Totalitarianism, trend toward, 253, 966-967, 976, 978
- Views of foreigners, 252-257, 267, 282-284, 311, 333, 338-344, 459, 461, 462, 469-471, 599-603, 604, 978-981
- Netherlands, relations with, 4, 5, 7, 8, 72
- "New order" in East Asia, 18, 32, 51, 60, 61, 63, 71, 145
- Nine Power Treaty, Japanese attitude, 4, 298, 299, 455, 495, 496, 516
- Non-aggression pact with Soviet Union, proposed, 435
- Oil. *See* Petroleum products.
- Permanent Court of International Justice, attitude, 5
- Philippines, agreement between United States and Japan regarding textile exports to, renewal of, 992-995; Japanese efforts to influence immigration bill, 322-323, 329-330
- Soviet Union, relations with, 6, 254-255, 256, 261, 272, 284, 286, 294, 326, 339-340, 345, 366, 374
- Territorial integrity, treaty signed and ratified with Thailand, 24, 25, 236
- Trade, foreign, question of, 231, 346-347, 515, 526
- Treaty of commerce and navigation with United States (1911), termination of, and discussion of situation in treatyless period, 625-636; *modus vivendi*, question of, 399-400, 401-402, 625-627
- U. S. export licensing system, Japanese protests, 572-577, 617-618, 620-622
- U. S.-Japanese relations, efforts by private Americans and Japanese to improve, 376-377, 379-380, 390-391, 397, 459-460, 461-463, 464-466, 468, 472, 474
- Land records of Chinese Land Bureau, transferred to City Government, Shanghai, 752; U. S. attitude, 752-753, 754
- Loans. *See* China: Economic and financial matters: Financial aid.
- Lukouchiao incident, third anniversary, message by Chiang Kai-shek to friendly powers, including account of Sino-Japanese war, 392-394

- Malaya. *See* Undeclared war: Singapore.
- "Manchoukuo", 223, 266, 275, 302-303, 316, 324, 373, 454, 536-537, 540, 981
- Manchurian Heavy Industries Company, 536-537
- Mao Tse-tung, 304, 431, 475
- Matsuoka, Yosuke (Japanese Foreign Minister), exchange of messages with President Roosevelt and Secretary Hull on advancing relations between the United States and Japan, 411-412, 414
- Metals Reserve Co., 670, 671
- Monopolies in Japanese-occupied China, 485-486, 508, 511, 513
- Monroe Doctrine, cited by President Roosevelt referring to non-acquisition of territory by force, 389-390, 391, 394-395, 396; Japanese comment, 400-401
- Moral embargo, 121, 160, 169, 288, 292, 566, 582, 609
- National Aniline and Chemical Co., 533
- National Resources Commission (China), 670, 713
- Netherlands (*see also* Netherlands East Indies):
- Arbitration and conciliation treaty with Japan (1933), abrogation by Japan, 4, 5, 7
- Commercial relations with Japan and Netherlands East Indies, 7-8, 10-11, 148, 375
- Defense forces in Far East, 160, 167-169
- United Kingdom, discussions concerning Pacific area, 237, 238-239
- Netherlands East Indies (*see also under* Petroleum products):
- Arms and munitions from United States, 115, 154, 167, 177, 183-184
- Economic ties with Japan, 2, 5, 8, 17, 21, 22, 39
- German statement denying interest in, 22
- Japanese efforts to obtain increased supply of products, 20, 24, 39, 51, 55, 56, 72, 73, 75-79, 88, 90, 96, 106, 115, 154, 175-176, 183, 186-187, 190, 192-193, 198, 199, 207, 228, 230, 343-344, 581, 980; U. S. attitude, 56, 77
- Maintenance of *status quo*, attitude of—
- Australia, 13, 20
- France, 9, 10, 12
- Japan, 1, 2, 3, 4, 5, 7, 8, 14, 17, 24, 63, 343, 345, 415, 699
- Netherlands, 8, 11, 17, 18, 19, 209, 230-231
- United Kingdom, 11, 12, 13, 17

- Netherlands East Indies—Continued
 Maintenance of *status quo*, attitude of—Continued
 United States, 9, 12, 13, 15, 16, 19, 20, 33–39, 74, 108–109, 148
 Trade with United States and with Japan, statistics, 383
 Netherlands West Indies: Landings by permission of Netherlands, 15–16, 18; status, attitude of United States, 13
 Neutrality Act (1939), application to Far Eastern conflict, and question of proclamation of state of war between Japan and China under *sec. 1*, 282, 287–292
 “New order” in East Asia, 18, 32, 51, 60, 61, 63, 178, 190, 223, 254, 260, 275, 312, 318, 338, 365, 370, 423, 464, 515, 632, 691, 932, 967
 New Zealand, defense forces in Far East, 160, 167–169
 Nine Power Treaty (1922), attitude of—
 China, 396, 691, 722–723
 Italy, 304–305
 Japan, 4, 298, 299, 455, 495, 496, 516
 Wang Ching-wei regime, 298, 455
 Non-aggression pact between Japan and Soviet Union, proposed, 435
 Non-recognition of the conquests of aggression, U. S. policy, 87, 284–285, 290, 326
 Oil. *See* Petroleum products.
 “Open door” policy, 262, 311, 691, 939
 Opium traffic, 997, 1002
 Passports, Far East, restrictions, 946
 Petroleum products (*see also under* Undeclared war: Embargo by United States):
 American buyers in China, and American shipments, representations in regard to Japanese interference with trade, 491, 534–535, 538, 540, 556
 American investments, value, 76, 83
 Aviation gasoline:
 Amount produced in Netherlands East Indies, 77, 78, 83, 207, 225
 Increased export to Japan, 294, 586
 Universal Oil Products Co., contract with Japan Gasoline Co., 565–566, 596, 609–610
 U. S. embargo on, for Japan, 57, 78, 79, 595–597; effect on British and Dutch interests, 604–605; effect on Japanese relations with the Netherlands Indies, 576
 China, imports of gasoline, 263, 648–649
 Indochina, Japanese action on shipment from, 30, 32, 33, 57, 202, 203, 208
 Petroleum products—Continued
 Japan (*see also* Aviation gasoline, *supra*, and Netherlands East Indies, *infra*): Oil supply, 257; restrictions by Japanese on movement and sale of American petroleum products, 861–862; tax in Japanese-occupied China, 502
 Monopoly in Namhoi, 508
 Netherlands, oil supplies for Japan, 19–20
 Netherlands East Indies: Amount produced, 77, 78, 83, 207, 225; decisions of representatives of oil interests, 75–79, 85, 154, 187, 193, 198, 199, 207, 225; desire of Japan for oil concession in, 2, 24, 32, 76, 193; shipments to Japan, Japanese request for increase, 39, 55, 56, 73, 76–78, 115, 175–176, 207, 225
 Tax in Japanese-occupied China, U. S. protest, 502
 Universal Oil Products Co., contract with Japan Gasoline Co., 565–566, 596, 609–610
 U. S. position regarding further restriction of exports of oil to Japan, 148
 Philippines:
 Agreement between the United States and Japan regarding textile exports to, renewal of, 992–995
 Air and naval forces, additions to, 231, 246
 Immigration bill, Japanese activity, 322–323, 329–330
 Japanese threat to, 208
 Repatriation of citizens from Hong Kong and Shanghai, 935, 954
 Portugal, 586
 Recognition. *See under* Undeclared war: Wang Ching-wei.
 Reconstruction Finance Corporation, 665, 668, 713
 Repatriation of American citizens from Far East. *See under* Undeclared war.
 Roosevelt, Franklin D. (President): Bombing of Chungking, note to Secretary Hull, 877; good offices of, proposed in Sino-Japanese conflict, 315, 324, 379; informal comments on message from Japanese Foreign Minister Matsuoka, 411–412; Monroe Doctrine, applicability to Asia and Europe, 389–390, 391, 394–395, 396, 400–401
 Royal Dutch Shell Oil Co., 2, 55, 75, 77, 85, 176
 Scrap iron and steel. *See under* Undeclared war: Embargo by United States.
 Socony-Vacuum Oil Co., 648–649

- Soong, T. V. (chairman, board of directors, Bank of China), on mission in United States, 313, 377, 661, 663, 664-668, 670, 680, 686-687, 690, 693, 697, 698, 708, 709, 710, 711, 712, 715
- Soviet Union:
- Arms and munitions: Airplanes for China, 685-688, 699; imports via Far Eastern ports destined for Germany, Anglo-American view of, 569-571
 - China, relations with, 252, 271, 374, 378, 393, 404, 406, 407-408, 411, 420, 428, 429, 432, 463-464, 637, 638, 663, 669, 672, 680, 692, 702, 705, 708, 709-710
 - Chinese Communists, possible support, 429
 - Friction between United States and Japan, effort to increase, 6
 - Japan, relations with, 254-255, 256, 261, 272, 284, 286, 294, 326, 339-340, 345, 366, 407, 420
 - Wang Ching-wei regime, question of recognition, 457, 458, 460, 461, 463-464
- Spain: Aviation gasoline, orders for, 586; Wang Ching-wei regime, question of recognition, 316-317, 321
- Standard Oil Co., 2, 83, 176, 534-535, 538
- Standard-Vacuum Oil Co. *See under* Undeclared war.
- Stimson doctrine of non-recognition, 87, 284-285, 290, 326
- Stuart, Dr. Leighton, 315-316, 466-467, 612-613, 900-901
- Tanaka Memorial, 275
- Texas Oil Co., 57, 194-195, 202, 203, 213, 538, 649, 862, 873, 875
- Textiles, cotton, 992-995
- Thailand:
- Arms and munitions from Japan, 199, 206, 228, 248, 249-250; from United States, 162, 176, 187, 196, 199-200, 206, 686, 687
 - Internal conditions, 164-165, 181
 - Japanese proposed program for, 223-224, 229, 247
 - Maintenance of *status quo*, attitude of—
 - France, 98-99, 110-111, 117, 127-128, 140, 170, 173, 174
 - Japan, 117-118
 - United Kingdom, 99, 114, 118, 135, 166, 177-179, 182, 191, 214-215, 229-230
 - United States, 84, 99, 101-102, 107-108, 123, 126, 140, 178-179, 185, 188, 191, 214, 215-216
 - Non-aggression pact with France, 24, 113, 117, 127-128, 153; with Japan, 24, 25, 236; with United Kingdom, 24
 - Protection of American citizens, 186, 191-192, 225
- Thailand—Continued
- Provinces in Indochina formerly ceded to France, efforts to reclaim, 74-75, 79, 83, 91, 98-99, 104, 110, 111, 113, 117, 122-123, 127, 131, 135-136, 152-153, 164-167, 173-175, 178, 201, 221, 224, 225, 227-229, 233-234, 238, 239, 241, 248, 456
 - British attitude, 99, 114, 118, 135, 166, 179, 182, 191, 197, 201, 206, 214-215, 219
 - French position, 98-99, 110-111, 117, 127-128, 140, 170, 173, 174
 - German attitude, 21, 114, 181, 182, 223
 - Japanese attitude, 117, 182, 197, 221, 223-224, 244
 - U. S. attitude, 84, 99, 101-102, 107-108, 114, 118, 123, 126, 140, 153, 166, 178, 181-182, 197
- Tobacco, 488, 505, 506, 507, 519, 549, 652
- Treaties, conventions, etc.:
- Agreement between Japan and Wang Ching-wei regime in China, violating Nine Power Treaty and containing provision for suppression of communism, 454, 455, 458, 461
 - Anti-Comintern Pact (1937), 163, 266, 435
 - Arbitration and conciliation treaty, between Netherlands and Japan (1933), abrogation by Japan, 4, 5, 7
 - Commerce and navigation, between United States and Japan (1911), termination of, 625-636
 - Cotton textiles, renewal of agreement between United States and Japan regarding export into the Philippines, 992-995
 - Four Power Treaty (1921) relative to Pacific area, 8, 11, 82, 396
 - French-Chinese treaty (1930), granting China right to import munitions through Indochina, 34-35
 - French-Japanese arrangement (1907), 80, 81, 93
 - Frontiers of Indochina and Siam (1907), treaty between France and Siam regulating, 170
 - Fur seals, treaty for preservation and protection of (1911), between United States, Great Britain, Japan, and Russia, Japanese termination of, 984-992
 - Nine Power Treaty (1922). *See* Nine Power Treaty.
 - Non-aggression: Between Germany and Soviet Union (1939), 286; between Thailand and France, 24-25, 113, 117, 127-128, 153; between Thailand and United Kingdom, 24-25

- Treaties, conventions, etc.—Continued
 Peking protocol (1901), 332, 416-417
 Territorial integrity and friendly relations, between Thailand and Japan, 24, 25, 236
 Tripartite Pact, between Germany, Italy, and Japan (Sept. 27), 156, 158, 159, 163, 186, 423, 435, 436, 439, 465, 958, 960, 982, 983; Chinese comment, 158, 170-171; statements by Secretary Hull, 158, 159
 Twenty-one demands, 275
- Undeclared war between Japan and China, 251-955
 Airplanes for China: American-made, 662, 673, 680, 682-684, 685-688, 690, 691, 694, 696, 697, 699, 705-706; Russian-made, 685, 686-687, 687-688, 699, 710, 714
 American journalists, deportation from China ordered by Wang Ching-wei, 889, 890-891
 American Radio Service at Tientsin, attitude of the Department of State regarding activities, 913-930
 Amoy. *See* Kulangsu, *infra*.
 Arms and munitions. *See* under China, *infra*; also Japan: War material, *infra*.
 Australia:
 Defense forces in Far East, U. S. query, 160, 167-169
 Economic sanctions, discussion, 234
 Embargo on steel and scrap iron for Japan, 231, 618
 Far Eastern settlement by Anglo-American-Japanese negotiations, proposed, 362, 366, 368, 374-375; U. S. attitude, 363-364, 369-370, 370-372
 Japanese deposits in, desire to transfer to London, 231
 Naval conference, proposal, 168, 184, 187, 206, 212; U. S. attitude, 206, 211
 Netherlands Indies: Australian aid, discussion, 15-16; *status quo*, discussion, 13, 20
 War with Japan, attitude toward entering, 184
 Aviation gasoline. *See* under Petroleum products.
 Belligerent rights, Japanese claim and French denial, 269, 279, 280, 522; U. S. position, 52, 863-864
 Blockade by—
 Japanese, of Amoy, 833, 834, 835, 836, 839; of Tientsin Concession, 267, 268, 275, 280, 295; of treaty ports and other areas, 295, 296, 433, 528-529, 533, 896-897
 Undeclared war between Japan and China—Continued
 Blockade by—Continued
 Non-belligerents, of Burma Road, U. S. view, 52, 54, 55, 863-864
 Bombing, Japanese, of—
 Burma Road, 219, 680, 907
 Chungking, 873, 874, 876, 880, 905
 Civilians, 287, 688, 872, 876, 881, 884, 885, 887, 905; statement of Secretary Hull on indiscriminate bombing, 877
 Indochina-Yunnan Railway, 252, 263, 287, 295; French protests, 253, 263-265, 269, 279, 314, 320; Japanese demand that railway be closed to the carrying of goods into China, 263, 269, 279, 314, 320
 Burma (*see also* Burma Railways, Burma Road, and China: Transport, *infra*):
 Aircraft for China, plan to assemble in, 662, 699
 Closing of frontier with China, attitude of—
 China, 45-46, 47-48, 53
 Japan, 27, 36-37, 40-41, 43-44, 44-45, 46, 48, 49, 52, 359, 365
 United Kingdom, 28, 40-41, 43-45, 47, 49
 Rangoon, permits for re-export to, revoked by Indochina, 190-191
 Burma Railways, supplies carried for Chinese Government, statistics, 692-693
 Burma Road (Yunnan-Burma highway):
 Blockade by non-belligerents, U. S. view, 52, 54, 55, 863-864
 Bombing by Japanese, 219, 680, 907
 British agreement with Japan to close road until October 18, 1940, 152, 387-388, 409, 419, 420, 583, 662
 Development of, 296, 704-705
 Reopening by the British, discussion by Australian Minister, 157; British officials, 84, 97, 112, 120, 152, 157, 160, 163, 169, 424, 672, 675-676; Chinese officials, 91, 151, 158, 672; Indochina, 190
 Transit through, 349, 378, 379, 662, 665
 Canada, question of agreement with United States on export license procedures, 605-607, 609, 610-611
 Canton Harbor, 510-511, 514
 Cash, drafts, or letters of credit, Japanese notice regulating amounts carried by travelers, question of applicability to U. S. nationals, 562

- Undeclared war between Japan and China—Continued
- China (*see also* Hong Kong and Shanghai, *infra*):
- Airplanes, American-made, 673, 680, 682-684, 685-688, 690, 691, 694, 696, 697, 705-706; proposal to assemble in Burma, 662, 699
 - Ambassadors of France, United Kingdom, and United States to coordinate on problems of common concern, 305
 - Arms and munitions, 297, 659-660, 704, 709, 714-715
 - Aviators, U. S., as instructors or mechanics, 251, 706, 711; as volunteers for service in China, question of, 671, 673, 677-678, 706
 - Bank of China, 650, 670, 680, 686
 - British-American air force to operate in China, proposed, 710-711
 - Chou En-lai, 313, 404, 410, 430, 451, 452
 - Cities, devastation by Japanese, 491
 - Communications held by Japanese, 294-295, 378, 407, 408
 - Courts, Chinese. *See under* International Settlement and Shanghai: French Concession, *infra*.
 - Defense plan for Indochina, Chinese proposal, 32
 - Deposits in United States, use of or freezing of, 653-654, 659
 - Japanese demand upon Indochina to permit Japanese troops to pass to Southern China and to use bases; Chinese attitude, 62, 66, 70-71, 75, 89-90; British attitude, 112, 119; U. S. attitude, 72, 74
 - Japanese military and naval forces in Hainan Island area, 22-23, 33
 - Japanese occupation of Indochinese air bases, under agreement signed *Sept. 22* by French and Japanese generals, with a view to military action against China, 142, 143, 144, 145, 146, 149, 151, 153, 156, 162; Chinese protest, 149, 150
 - Mao Tse-tung, 304, 431, 475
 - Merchandise formerly destined for China, difficulty in re-export from Indochina, 202, 203, 213, 217
 - Military movements to forestall Japanese advance into Indochina, 101, 102, 110, 150, 151
 - Morale, 286, 297, 407, 409, 427-428, 441, 490, 666, 672, 673-674, 676
- Undeclared war between Japan and China—Continued
- China—Continued
- Parties, including Communists, represented in the Government, 478-479
 - Peace settlement with Japan, informal attempts toward negotiations, 252, 315, 324-325, 327-330, 332-333, 348-349, 360-361, 373, 378-379, 402, 419-420, 424, 432, 434, 437, 438, 442-443, 466-467, 583
 - Ports offered for U. S. and British use, 689
 - Sino-Anglo-American Plan of Co-operation, offered by Chiang Kai-shek, 439-440, 684-685, 689-692, 693-695
 - Standard-Vacuum Oil Co. at Ichang: Japanese bombing of property, 875-876, 883-884, 885-886; alleged shelling by Chinese artillery, 888, 894-895; U. S. protests, 884, 885-886
 - Status quo* in foreign controlled areas, Chinese suggestion for U. S. declaration, on maintenance of, 349
 - Transport of supplies to China through Burma and Indochina, 48, 194-195, 202, 203, 295, 349, 365, 378, 661, 662, 692-693; Japanese ban on military supplies, 25-26, 27, 29, 30, 32, 33; position of Chinese, 48; U. S. attitude, 52, 54, 55, 104-105, 106-107, 863-864
 - Treaty ports held by Japanese, 295, 296, 447
 - War, state of, between Japan and China, *S. Con. Res. 36* relative to, 282, 290-292
 - Yangtze. *See* Yangtze River, *infra*.
 - Yunnan, support of National Government, 94
 - Chinwangtao, reducing of U. S. Marine guard, 476
 - Chou En-lai, 313, 404, 410, 430, 451, 452
 - Churchill, Winston, message to President Roosevelt suggesting visit of an American squadron to Singapore, 163
 - Courts, Chinese. *See under* International Settlement at Shanghai and Shanghai: French Concession, *infra*.
 - Currency:
 - Japanese, in Manchuria, Inner Mongolia, and North China, 506, 508, 511-513, 525-527; military scrip, 492; U. S. attitude, 512

- Undeclared war between Japan and China—Continued
- Currency—Continued
- Wang Ching-wei regime, plans for new currency, 433, 511-512, 516, 525, 544, 642; U. S. attitude, 512-513, 520, 521, 523, 545
- Customs problems. *See under* China.
- De facto* war between China and Japan, Japanese claim, 280
- Defense forces of Australia, New Zealand, Netherlands Indies, and Singapore, conference suggested, 160, 167-168, 168-169
- Embargo by—
- Australia, on steel and scrap iron to countries other than British Empire, 231, 618
- China, on cigarettes containing American tobacco, U. S. protest, 652
- France, on exports to Japan, proposal, 280, 293-294
- India, on jute bags and cotton for Indochina, proposal, 226; on scrap iron for Japan, 219
- Indochina, on exports to British Empire, and prohibition of British ships, 195, 226; British attitude, 246
- Japan. *See* Exchange and export control, *infra*.
- United Kingdom, British proposal to United States for parallel action with British and Canadian Governments, 610-611
- United States, on—
- Airplanes for Thailand, 176, 187, 199-200, 206
- Exports to Japan, 2, 3, 5, 53-54, 149*n*, 160, 283, 287, 293, 365, 369, 423, 537, 584, 586-587, 589, 688; Chinese attitude, 46; Japanese comment, 567; Netherlands Indies, attitude, 154
- Machine tools ordered by Japan, 572-575, 576-577, 579, 585, 593-595, 617-618, 620-621, 623
- Petroleum products and scrap iron and steel, 57, 149*n*, 160, 292, 411, 578, 580, 587-588, 597-598; proclamation licensing exports, 589-591; restrictions, possible adverse effect of, 591-592, 608
- Equality of commercial opportunity. *See* Interference by Japan with American treaty rights and with equality of commercial opportunity in China, *infra*.
- Esperance*, French ship, seizure by British en route to Indochina, 172
- Undeclared war between Japan and China—Continued
- Estelle L.*, motor vessel, detained off Chekiang by Japanese, 531, 539, 546, 552-553, 559; U. S. representations against seizure, 532, 546, 555
- European powers having possessions in Pacific area, U. S. proposal of exchange of notes on maintenance of *status quo*, 383-384, 385; Japanese attitude, 384
- Exchange and export control, practice by Japan in North China, 433, 496-497, 506, 508, 510, 512, 516, 528, 540, 542
- Export control (*see also* Embargo, *supra*):
- British officials, adverse effects foreseen by, 591-592
- British plan for joint export control by British Empire, United States, and Netherlands, 613-614, 619; U. S. attitude, 615-616, 619-620
- Canada, suggestion for accord between U. S. and Canadian export licenses, 606-607, 609
- Indochina, northern, question of occupied territory, 196-197
- United States, export licenses on petroleum products and scrap iron and steel, 57, 411, 589-591; on iron and steel, 620; on copper, brass, bronze, zinc, nickel, and potash, 624-625
- Export Control Administration, 621, 624
- Exports to Japan, restrictions on, discussions of parallel action between United States, British, and Canadian Governments, 610-611
- Federal Reserve Bank, certification of exports and imports in North China, 509; use of currency at Tientsin, 850, 858
- Films, American, censorship and mutilation in China by police and Japanese *gendarmerie*, 504
- Force, relinquishment as instrument of national policy, U. S. position, 338, 342, 346, 355, 356, 372, 385, 386, 399, 415, 422, 467, 574, 602
- Foreign military units on guard duty in China: Agreement to maintain peaceful *status quo*, 331-332, 348, 352-353; Japanese plan respecting, 347, 350; U. S. Marines, question of withdrawal, 425-427, 475-476
- Good offices of President Roosevelt in Sino-Japanese conflict, Chinese desire for, 315, 324, 379
- Hainan Island, 22-23, 33, 57, 218, 445
- Hankow, 280, 524, 527

- Undeclared war between Japan and China—Continued
- Hong Kong, 27, 37, 40-41, 43-45, 61, 67, 94, 161ⁿ, 202, 203, 226, 235, 248, 359, 365, 387, 388, 514, 648-649, 661-662, 713-714
- Import restrictions by Japanese-controlled authorities in North China, Japanese motive and U. S. attitude, 528, 529-531
- Interference by Japan with American treaty rights and with equality of commercial opportunity in China, 484-565
- Currency, new, effect on U. S. trade, 512-513, 520, 521, 523, 543, 545
- Exchange and export control, 496-497, 506, 508, 510, 512, 516, 528
- Import restrictions, 528, 529-531
- Petroleum products, U. S. shipments, 502, 534-536, 537-538, 556
- Re-export of American-owned goods from Shanghai to Hong Kong, 555, 559
- Shipping, prohibitions with respect to Chekiang Coast, 553; Hangchow Bay, Wenchow Harbor, and Foochow Harbor, 529, 532; Hankow and Kiukiang, 523-524, 527, 535; Kwangtung Coast, 563; Ningpo, Shanghai, and Wenchow, 533; Shanghai to other points, 534, 535, 537; Shuitung, 551, 553, 554; Yangtze, 518, 522, 525
- U. S. representations and reservation of rights, 512, 518, 527-528, 540, 542-543, 554
- U. S. trade, oppressive measures against, 264, 284-285, 323, 341, 342, 344, 485, 488, 491, 493, 496-497, 498, 504, 505, 506-507, 509-510, 513, 519, 527-528, 534, 538-539, 541-543, 548-549, 550, 552, 554, 556, 558, 560, 851-852, 902
- International Settlement at Shanghai:
- Arrest of Japanese gendarme in American sector, exchange of letters between commanding officers, 821-822
- British military garrison, withdrawal, 27, 28, 37, 359, 365, 387, 416
- Chinese Government, to be asked by Municipal Council to bear certain expenses, 760-761, 761-762
- Courts, Chinese:
- District Court for Second Special Area, discussion of jurisdiction with Japanese officials, 733, 734, 735-736, 738; transfer to Wang Ching-wei regime, 380, 831; U. S. relations, 833
- Undeclared war between Japan and China—Continued
- International Settlement at Shanghai—Continued
- Courts, Chinese—Continued
- Intimidation of, 380, 810-812, 816-817, 819, 820
- Municipal Council to take over in case of ceasing to function, 820, 822, 823, 824
- Police Court, the judge to be recommended by Japanese officials, attitude of Chinese Government, 750-751
- Extension of Japanese control, 753-754
- Foreign military detachments, agreement to maintain *status quo*, 331-332
- French withdrawal from "special military area", 749-750, 753
- Municipal Council:
- Agreement with Japanese authorities on jurisdiction of area north of Soochow Creek, 506, 728-729, 732-733, 819
- Modus vivendi* with City Government of Greater Shanghai on policing extra-Settlement roads area, 506, 727-728, 809, 814-815, 819; Chinese Government, attitude, 729; U. S. attitude, 731, 732, 733-734
- Police force, operations, 805-806, 809
- Re-allocation of defense sectors upon withdrawal of British and French troops, 745-747, 748, 762-763, 764-765, 766-769, 770-771, 771-773, 775, 779, 780, 781, 782-785, 785-786, 786-787, 791-792, 794-795, 795-797, 797-798, 798-800, 801-805, 806-807, 822, 823; U. S. attitude, 773-774, 788-791, 793, 808-810
- Retrocession of foreign areas, demand of Japanese press, 408
- Rumors of plan by Wang Ching-wei regime to seize International Settlement and French Concession, 741-744
- Terrorist activities, 735, 736-737, 737-738, 751, 752, 754-756, 756-757, 759-760, 765-766, 810, 811, 817; U. S. representations to Chinese and Japanese Governments, 738-739
- Trade and exchange control measures, 540, 818
- U. S. Marines, incident of July 7, 752, 812, 816, 819

- Undeclared war between Japan and China—Continued
- International Settlement at Shanghai—Continued
- U. S. Navy, plans in case of withdrawal of British and French, 745-747
- Wang Ching-wei regime:
Courts, Chinese. *See* Courts, *supra*.
Labor, efforts to control, 818
Order for arrest of 83 prominent Chinese, 761, 762
Plan to seize International Settlement and French Concession, rumors of, 741-744
Police, morale undermined, 818, 819
- Japan (*see also* Embargo, Indochina, and Interference, *supra*):
Arms and munitions. *See* War material, *infra*.
Belligerent rights, claim to, and French denial, 269, 279, 280, 522; U. S. position, 52, 863-864
Blockade. *See* Blockade, *supra*.
Bombing. *See* Bombing, *supra*.
Burma and Burma Road. *See* Burma and Burma Road, *supra*.
Embargo. *See* Embargo, *supra*.
Hong Kong. *See* Hong Kong, *supra*.
Imperial Conference decisions, 434
Military action in China, inconclusive, 258-259, 260
Military movements, 19, 21, 38; Hainan Island area, 22-23, 33, 57, 218; naval bases, interest in acquiring, 192, 197
Navigation, freedom of. *See* Navigation, *infra*.
Peace settlement with China, informal attempts toward negotiations, 252, 315, 324-325, 327-330, 332-333, 348-349, 360-361, 373, 378-379, 402, 419-420, 424, 432, 434, 437, 438, 442-443, 466-467, 583
Petroleum products. *See* Petroleum products.
Proclamation by military and naval headquarters in China, applicable to third-power nationals, listing punishable offenses, 356-358
Sanctions. *See* Sanctions, *infra*.
United Kingdom, demands by Japanese military upon British Embassy in Tokyo respecting Burma frontier, Hong Kong, and withdrawal of troops from Shanghai, 27, 28, 36-37, 40-41, 43-45, 46-47, 49, 52, 359-360, 361, 387-388
U. S. entry into war, Japanese doubt, 16, 19, 61
- Undeclared war between Japan and China—Continued
- Japan—Continued
- Wang Ching-wei regime. *See* Wang Ching-wei, *infra*.
- War material, including aviation fuel, machine tools, etc., Japanese protests against restrictions on shipments, 565-566, 572-573, 575, 576-577, 585, 594, 617-618, 620-621, 622; U. S. attitude, 573-575, 578
- World domination, aim of extremists, 253
- Kiukiang, Japanese restrictions on shipping, 524, 527, 535
- Kulangsu International Settlement at Amoy:
Ascendancy of Japanese military elements, 839, 840-841
Blockade on traffic with mainland, and between the International Settlement and Amoy, believed to be Japanese coercion, 833, 834, 835, 836, 839; U. S. representations, 837
Police, Japanese demand for increased force, 833-840; political reason for demand, 837; Municipal Council and Rate Payers Committee, attitude, 834, 835, 836, 838-839, 840
Terrorist activities, 833, 834, 839
- Kwantung Coast, Japanese prohibition on shipping, 563
- Land records of Chinese Land Bureau, transferred to City Government, Shanghai, 752; U. S. attitude, 752-753, 754
- Letters of credit, question of application of Japanese regulations to U. S. nationals, 562
- Licensing. *See* Export control, *supra*.
- Loans and credits to China. *See* China: Economic and financial matters: Financial aid.
- Lukouchiao incident, third anniversary, message by Chiang Kai-shek to friendly powers, including account of Sino-Japanese war, 392-394
- "Manchoukuo", 223, 266, 302-303, 324, 373, 454, 536, 537, 981
- Mariposa, evacuation of Americans from Far East, 938, 951, 953
- Military consultation between Netherlands, United Kingdom, United States, and other countries, proposals for, 167, 184, 187, 188-189, 206, 211, 212, 237, 238-239
- Missionaries and mission property. *See under* Protection of American lives and property in China, *infra*.
- Mitsui Bussan Kaisha, monopoly in trade in Japan-controlled China, 485, 511, 513

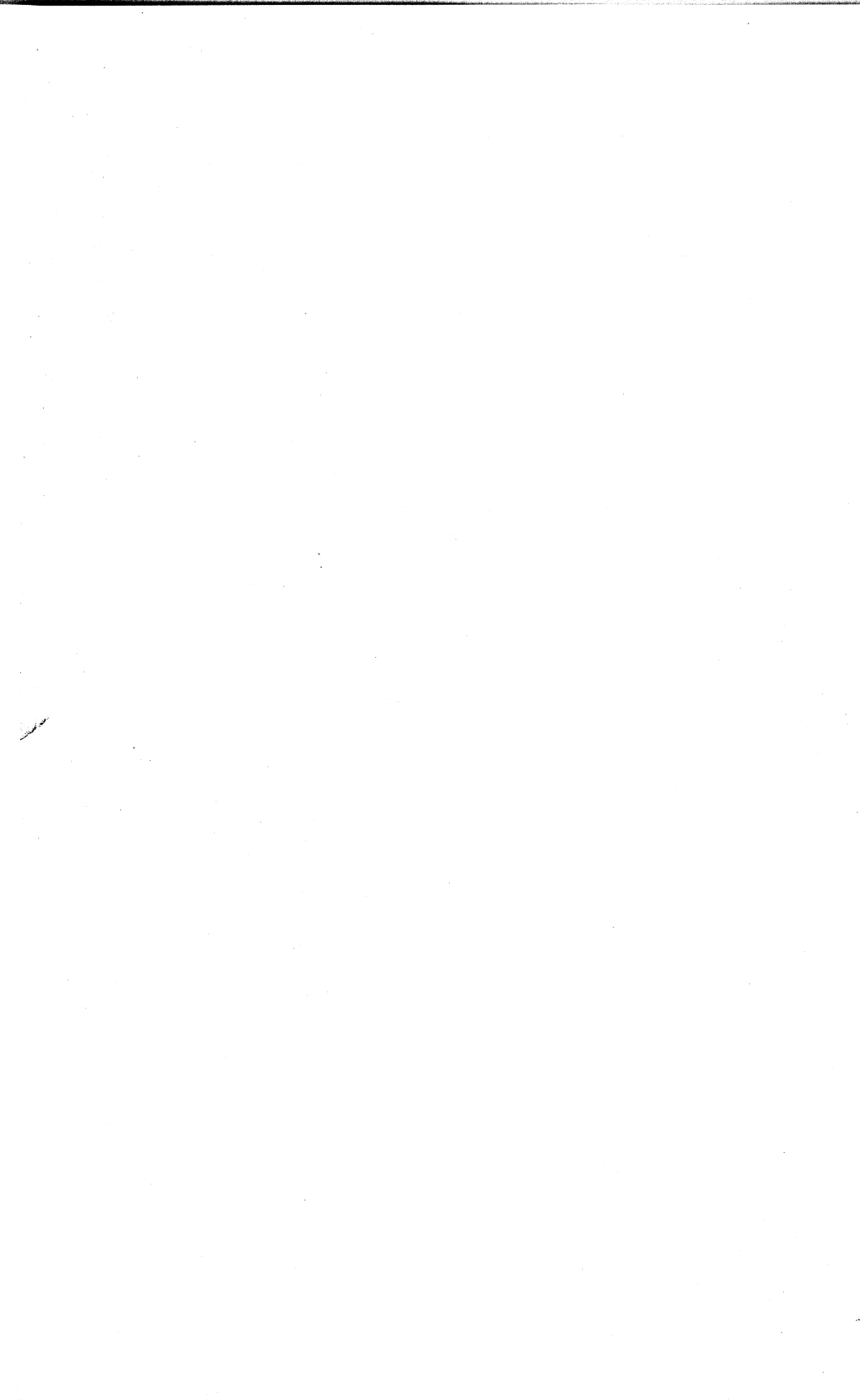
- Undeclared war between Japan and China—Continued
- Monterey*, evacuation of Americans from Far East, 938, 951
- Moral embargo, 121, 160, 169, 288, 292, 566, 582, 609
- Naval experts, conferences. *See* Military consultation, *supra*.
- Navigation, freedom of, in Chinese waters, controlled by Japan (*see also* Blockade and *Estelle L.*, *supra*), 275, 345, 484, 485, 487-490, 494, 495, 499, 501, 503, 507-508, 514, 518-520, 522, 524, 525, 527, 529, 532, 533, 535, 551, 553, 563, 567
- Peiping:
- Anti-American press, 424-425
 - British military garrison, withdrawal, 387, 416, 417
 - Defense of diplomatic quarter, plans, 417
 - Foreign military detachments, agreement to maintain *status quo*, 331-332; supplementary agreement, 413
 - Reduction in U. S. Marine Guard, 476
- Pilotage regulations, issued by Japanese officials with reference to Pearl River, U. S. and British protests, 494-495, 498
- Price control in North China (*see also* Exchange and export control, *supra*), 902
- Products of China, all exportable material acquired by Japanese military, 491
- Protection of American lives and property in China, 859-912
- Advice to Americans by Department of State to withdraw from China, 892, 893-894, 895
- American flag, question of use over mission property, 879, 883
- American journalists: Deportation from China by Wang Chingwei, 889, 890-891; imprisonment and trial in Japan of James R. Young, 995-1002; United Press correspondent to be forced by Japanese to leave Indochina, 243
- Bombing, looting, trespass, and burning of mission property, 859-860, 866-867, 868, 870, 877, 879, 880, 881, 883, 884, 888, 891, 892, 897, 899, 900, 912; U. S. protests, 323, 814, 868, 870, 877, 891, 897-899, 899-900, 903-904, 905, 909
- Bombing of property:
- Chihkiang, U. S. protests, 868, 870
- Undeclared war between Japan and China—Continued
- Protection of American lives and property in China—Continued
- Bombing of property—Continued
- Chungking, 873, 874, 876, 880, 905
 - Ichang, Standard-Vacuum Oil Co., 875-876, 883-884, 885-886, 888, 894-895; U. S. protests, 884, 885-886
 - Kunming, endangering Consulate, 902-903
 - Loiwing, aircraft factory, having American workers, 907
- Chinese Government, offer to facilitate movement of missionaries from occupied to unoccupied areas, 954-955; U. S. attitude, 955
- Civilians, indiscriminate bombing of, 872, 876, 881, 884, 885, 887, 905; statement of Secretary Hull, 877
- Hainan Island, evacuation of Americans, 867; U. S. attitude, 867
- Honan, restrictions on travel by military requirement, 866, 895-896, 904
- Indignities imposed upon missionaries, and withdrawal under Japanese pressure, 341, 412, 906-907, 910-911; U. S. protest, 907
- Japanese notification to Americans to leave, 882, 883
- Japanese orders protecting Americans, 875, 901
- Loucks, Luther L., case of property of, Japanese assertion that rights of extraterritoriality are non-existent respecting "Manchoukuo", 869, 871, 872
- Missionaries and mission property (*see also* Bombing, looting, etc., *supra*), 341, 412, 879, 883, 906-907, 910-911, 945-955
- Statistics on losses and damages to American property during Sino-Japanese conflict, 871-872
- Tan, Marcel O., Philippine citizen under arrest in China, U. S. request for release, 864-866
- U. S. warning to Japan not to imperil American nationals and property, 877, 878-879, 885
- Withdrawal of American citizens from China, 476, 910-911, 954-955
- Women and children, security of, 855, 892, 893-894
- Yunnan Railway, Japanese bombing, injuring U. S. trade and endangering lives of U. S. officials, 861, 862

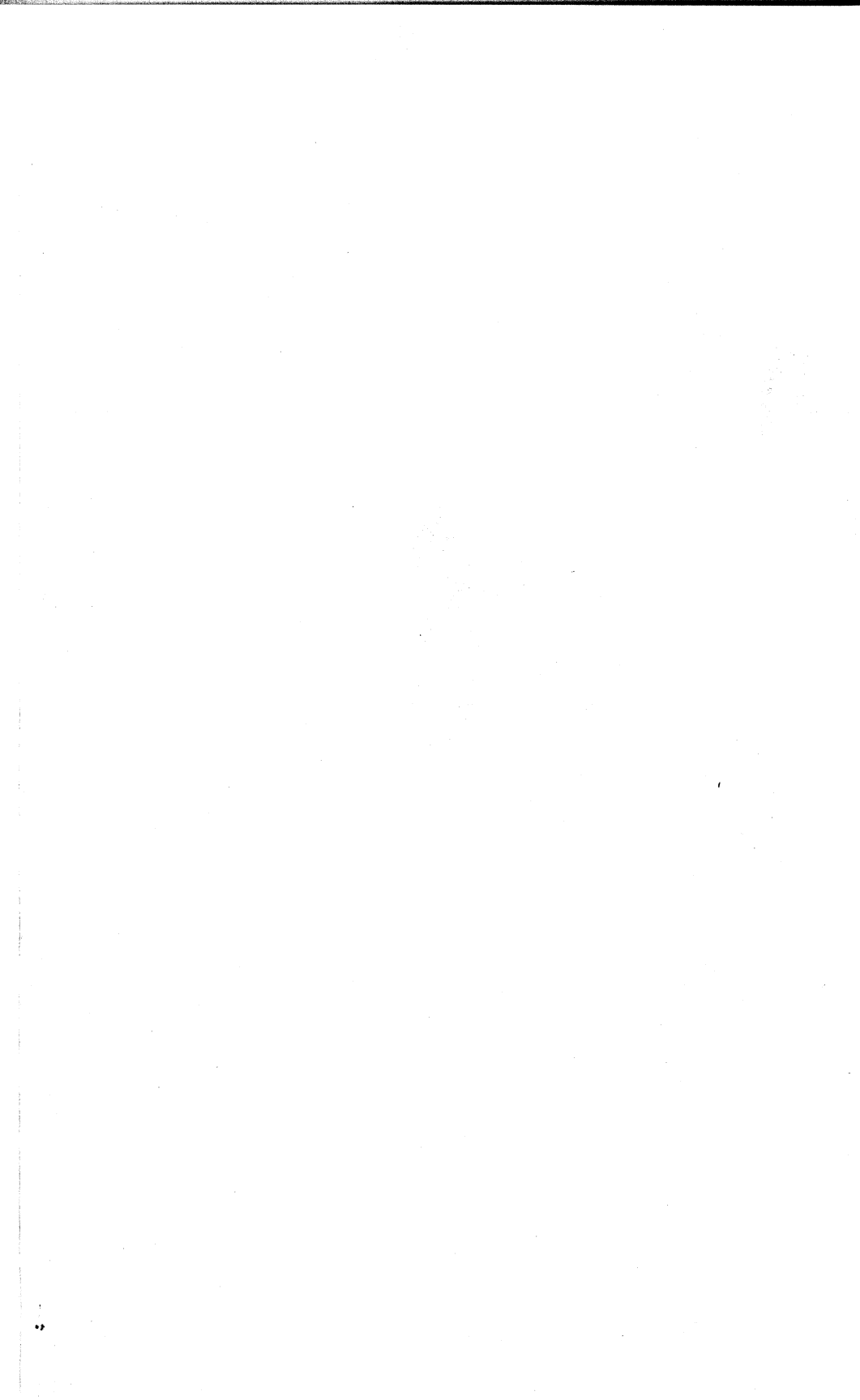
- Undeclared war between Japan and China—Continued
- Repatriation of American citizens from Far East, 930-955
 - American schools at Peiping and Shanghai, closing of, 943, 945, 948-949
 - Evacuation, discussion, 184, 186, 191-192, 225, 930, 931-932, 944-946
 - Funds for loans to Americans, U. S. grant, 946-948
 - Japanese reaction, 936, 937
 - Numbers, 935, 941, 952
 - Philippine citizens, 935, 954
 - Relatives of American citizens, 947, 949
 - Vessels available, 934, 938-939, 950, 951, 953; charges for passage, 939-941, 942-943, 945, 953
 - Withdrawal of American citizens, U. S. instructions, 932-933, 934-935, 950-951
 - Royal Dutch Shell Oil Co., 2, 55, 75, 77, 85, 176
 - Sanctions (*see also* Embargo and Export control, *supra*), 565-625
 - Shanghai (*see also* International Settlement at Shanghai, *supra*):
 - American claims, Japanese activities toward payment, 506
 - Anti-American press, 408, 410, 413, 424-425, 811
 - City Government, text of *modus vivendi* with Municipal Council of International Settlement on policing of extra-Settlement roads area, 506, 727-728, 731-732, 733-734, 809, 814-815, 819
 - Deterioration of economic and political situation, 432-433, 446
 - French Concession:
 - Courts, Chinese, handing over by French authorities to Wang Ching-wei regime, 456, 730, 758-759, 810-812, 816-817, 819, 824, 825-826, 827-828, 829-830, 831, 832; Chinese Government, attitude, 456, 826, 829, 830; U. S. attitude, 828-829, 832
 - Customhouses, taking over by Wang regime, 819
 - Question of withdrawal, 418, 419, 748, 751
 - Report that Japanese forces may occupy, 817, 818
 - Japanese authorities, agreement with Municipal Council relaxing restrictions in area north of Soochow Creek, 506, 728-729, 732-733, 819
- Undeclared war between Japan and China—Continued
- Shanghai—Continued
 - Land records of Chinese Land Bureau: Conveyance from International Settlement through Japanese official to City Government of Shanghai, 752, 753, 754, 757-758; question of relations of consular officers with new bureau, 763-764
 - Re-export of American-owned goods from Shanghai to Hong Kong, 555, 559
 - Shuitung, Japanese notification to vessels, 551, 553
 - Sikiang*, U. S. action against cargo on, 191, 194, 202, 238, 240
 - Singapore: Threat of Japanese aggression, 142, 155, 159, 161*n*, 194, 206-207, 209, 214-215, 218, 220, 242, 247, 374, 680, 699, 712, 982; U. S. naval visit, plan, 212, 365, 367, 618
 - Sino-Anglo-American Plan of Co-operation, 439-440, 684-685, 689-692, 693-695
 - Standard Oil Co., 2, 83, 176, 534-535, 538
 - Standard-Vacuum Oil Co.:
 - Bombing of property at Ichang, 875-876, 883-884, 885-886, 888, 894-895; U. S. protests, 884-886
 - Miscellaneous, 55, 75, 76, 77, 83, 194, 538, 556, 586-587, 862
 - Tientsin, British Concession at:
 - Agreements between British and Japanese concerning silver, currency, and the abolition of restrictions at Tientsin, 850, 855-856, 857
 - Blockade. *See* Interference, *infra*.
 - British military garrison, withdrawal, 387, 416
 - Exchange shops, licenses, 851
 - Flood relief in North China, 841, 844, 847
 - Foreign military detachments, agreement to maintain *status quo*, 331-332, 348
 - Interference by Japanese armed forces with movement of American citizens and American-owned merchandise, 846-848, 850-852, 855-857
 - Reduction in U. S. Marine Guard, 476
 - Silver on deposit, disposition of:
 - British Ambassador in China, proposal, 840-841
 - Chinese Government, attitude, 841, 845, 847, 849-850, 853-854, 858
 - Formula by Chinese and British for solution, text, 844

- Undeclared war between Japan and China—Continued
- Tientsin, British Concession at—Con. Silver on deposit, disposition of—Continued
- French proposal, 321-322
- Japanese and British draft agreement, text, 849
- Owner of deposit, 841, 858
- U. S. attitude, 845-846, 854
- Vessels, removal of restrictions on river traffic, 857-858
- Trade in Japanese-controlled China, discrimination by Japan against United States, U. S. representations, 512, 518, 523, 527-528, 540, 554
- Universal Leaf Tobacco Co., interference by Japanese in China, 488, 505, 506-507, 519, 550-551, 552, 554, 556-557, 558
- Universal Oil Products Co., contract with Japanese Gasoline Company, 565-566, 609-610
- U. S. Asiatic Fleet: Commander in Chief of, report on relations in Orient, 208-211; disposition of, 20, 160, 332, 336, 345, 360, 369, 417, 537, 582, 589; plans in case of withdrawal of British and French from Shanghai, 745-747
- U. S. Congress, *S. Con. Res. 36* relative to a proclamation of state of war between Japan and China, 282, 290-292
- U. S. Far Eastern Trading Corporation: Action against cargo on *Sikiang*, 191, 194, 202, 238, 240; petroleum products, fine or requisition of stocks, 202, 238
- U. S. landed forces in China, numbers, 746
- U. S. Marines: *July 7* incident in International Settlement at Shanghai, 752, 812, 816, 819; question of withdrawal from Shanghai, 425-427; sector of Shanghai to be assigned to, U. S. insistence upon, 793, 807
- U. S. naval vessels, Japanese refusal of landing permits for American civilians, 524
- Visa, extension of term to alien, query of Japanese Ambassador regarding proposed bill, 578
- Vladivostok, Japanese shipments to Germany via, 321
- Wang Ching-wei, head of puppet government in China: Anti-American press, 408, 889
- Bank, new, and new currency, plans, 508, 511-512, 516, 520, 521, 525, 543, 544-545, 557, 564, 642
- Undeclared war between Japan and China—Continued
- Wang Ching-wei, head of puppet government in China—Con.
- Chiang Kai-shek: Communications by Wang Ching-wei to, 265-266, 270, 272, 281; intermediary suggested, 323, 441; message by Chiang Kai-shek to friendly powers on Wang's agreement with Japanese, 274-275, 278, 439
- Chinese attitude, 300, 481
- Courts in French Concession at Shanghai. *See under* Shanghai: French Concession, *supra*.
- Courts in International Settlement at Shanghai, transfer to Wang Ching-wei regime, 380, 831
- Customs activities, 720, 723
- Deportation of American journalists, 889, 890-891
- Foreign relations, 298, 300, 307
- Japan, relations (*see also under* Recognition: Granting of, *infra*): Central government, new, under Wang Ching-wei, proposal, 259, 261, 265-267, 270-272, 276, 279, 280; conversations with Japanese officials looking toward treaty and recognition, 270, 272, 276-277, 295, 301, 306-308, 309, 317, 324, 326-327, 333, 340, 345, 358, 392, 402, 419, 424-425, 431-432, 434, 436, 438, 440, 444, 466, 481
- "Manchoukuo", mutual recognition of regimes, 454
- Military operations, reference to Tokyo, 297, 311
- Recognition of regime, question of: Granting of recognition by Japan, 317, 333, 345, 358, 392, 402-403, 419, 431-432, 434, 435, 439, 440, 454-455; Spain, 316-317
- Position of Germany, 285, 432, 437, 458, 463; Italy, 273-274, 277, 304, 432, 436-437, 446, 458, 468; Soviet Union, 457, 458, 460, 461, 463-464
- Refusal of recognition by France, 280-281; Thailand, 314; United Kingdom, 309-310; United States, 271, 274, 281, 284-285, 299, 301
- Washington*, evacuation of Americans from Far East, 938, 951, 952
- Wenchow, Japanese restrictions on merchant vessels, 517, 519-520, 529; blockade, 532, 533
- Yangtze River, 275, 345, 484, 485, 487, 489, 490, 495, 499, 501, 503, 507-508, 518, 522, 524, 525, 527, 886

- Undeclared war between Japan and China—Continued
 Yokohama Specie Bank, 508
 Young, James R., American newspaperman in Far East, case of, 995-1002
 Yunnan-Burma highway. *See* Burma Road, *supra*.
 Yunnan Railway. *See* Indochina-Yunnan Railway.
- United Kingdom:
 Burma and Burma Road. *See under* Undeclared war.
 China, plans for aid to, 427-428, 695-696, 700-702; loans and credits, 321, 564, 708
 Defense forces in Far East, 160, 167-169
 Demands by Japanese military upon British Embassy in Tokyo respecting Burma frontier, Hong Kong, and withdrawal of troops from Shanghai, 26-27, 28, 36-37, 359-360, 361; British attitude and reply, 40-41, 43-45, 47, 49, 387-388; U. S. attitude, 46-47, 49, 52
 Embargo. *See under* Undeclared war: Embargo.
 Export control:
 British plan for joint control by British Empire, United States, and Netherlands, 613-614, 619; U. S. attitude, 615-616, 619-620
 Licensing of petroleum products, British attitude, 591-592
 Parallel action between British, American, Canadian, and other governments respecting exports to Japan, 610-611
 Far Eastern policy, new, following collapse of France, 365-367, 388, 407, 412
 Far Eastern settlement by Anglo-American-Japanese negotiations, proposed, 362, 366, 368, 374-375; U. S. attitude, 363-364, 369-370, 370-372
 Hong Kong, agreement with Japanese on vessels plying to Canton, 514
 Japan, threat of war, 40, 46
 Maintenance of *status quo* in Pacific area, attitude. *See under* Indochina, Netherlands East Indies, and Thailand.
 Military consultations, plans for, with—
 Netherlands, with reference to possible Japanese invasion in South Seas, 237
 United States, with regard to Pacific problems, 238-239
- United Kingdom—Continued
 Military units in China, 331-332, 348, 350, 352-353; withdrawal of garrisons from Peking, Tientsin, and Shanghai, 416-417
 Non-aggression pact with Thailand, signing of, 24
 Pacific conference, proposed, of countries having interests in Pacific area, on future plans and policies, 167-168, 184, 187, 188-189, 206, 211, 212
 Peking Protocol (1901), reservation of rights under, 416-417
 Soviet Union, imports of war supplies through Far Eastern ports, possibly destined for Germany, plan to prevent, 569-570; U. S. attitude, 570-571
 Thailand, relations with. *See* Thailand.
 Transfer of French troops from Djibouti to Indochina on French ship *Esperance*, attitude, 172, 201, 205
 Universal Leaf Tobacco Co., interference by Japanese in China, 488, 505, 506-507, 519, 550-551, 552, 554, 556-557, 558
 Universal Oil Products Co., contract with Japan Gasoline Co., 565-566, 609-610
 U. S. Asiatic Fleet. *See under* Undeclared war.
 U. S. Congress:
 National Defense Act (*July 2*), 393, 572-577, 587, 588, 594
 State of war between Japan and China, *S. Con. Res. 36* relative to a proclamation of, 282, 290-292
 U. S. Far Eastern Trading Corporation, 191, 194, 195, 202, 238, 240
 U. S. landed forces in China, numbers, 746
 U. S. Marines, 752, 793, 807, 812, 816, 819; question of withdrawal from Shanghai, 425-427
 U. S. National Defense Act (*July 2*), 393, 572-577, 587, 588, 594
 Visas to aliens, question of extension of term, 578
 Wheat, 568, 569
 Wolfram, 639, 665, 713
 Yokohama Specie Bank, 508
 Young, James R., American newspaperman in Far East, case of, 995-1002









press to F.D.R. 469

