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UNITED STATES ECONOMIC AND MILITARY
" ASSISTANCE TO CHINA, 1937-1941

by

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ABSTRACT

The problem presented to the writer has been an examination of United States economic and military assistance to China from the Marco Polo Bridge incident of July 7, 1937, until the Pearl Harbor attack on December 7, 1941. To properly evaluate this assistance, attention must be given to assistance furnished China from other nations, the unique problems of transportation to that nation under Japanese blockade, and the general state of changing world affairs at that time.

This task has not proved an easy one. Almost all works concerned with the origins of World War II, twentieth-century Asian history, and American diplomatic history make reference to President Roosevelt's refusal to find a war in China, therefore not enacting the neutrality legislation so that China could obtain American arms and munitions in her war opposing Japanese aggression. But these accounts stop with one or two statements and no specific information as to the types of assistance, amounts, or value to the Chinese government and military. Where this is true with Sino-American relations, there is a wealth of published information concerning United States assistance to Great Britain and United States relations with Japan in this time period.

The primary materials used in this study are the foreign relations papers, reports of press conferences and speeches,

memoirs and diaries, and general accounts of individuals involved in the various programs.

From this investigation, it was found that the United States' program of assistance to China went through three different stages of development. The first stage was a continuation of the silver purchasing policy which gave foreign exchange credits to China, the second stage included a series of Export-Import Bank loans that also provided foreign exchange credits, and the third stage was a program of military assistance under the Lend-Lease provisions. In comparison to the Soviet Union's program of assistance to China, the United States' program seems insignificant; in fact, the Soviet's aviation and military assistance pre-dated the Lend-Lease Act and the American Volunteer Group by over three years. United States economic and military assistance to China in the years 1937 to 1941 can best be described as too little and too late.

PREFACE

This writer has been challenged by the vague treatment of Sino-American relations in the years just before our entry into World War II. One area that seemed extremely cloudy was the United States assistance program to China. It is hoped that the following study will present a true and unbiased account of United States economic and military assistance to China in the years 1937 to 1941.

In order to properly understand and evaluate United States assistance to China it is necessary to investigate the assistance programs of other nations. However, the following only presents a summary of these programs with the program of the United States alone handled in detail. Also, a number of other factors that directly affected United States foreign policy must be considered to add understanding to this study. A careful look at the domestic scene in the United States in the late 1930's shows the continuing great depression and the feeling and quest for neutrality and isolation. Meanwhile, there were the rapidly changing world events of that time. Finally, when a program of assistance to China was organized there were the enormous geographic barriers that prevented easy transportation and communication with the Chinese government and military.

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UNITED STATES ECONOMIC AND MILITARY
ASSISTANCE TO CHINA, 1937-1941

Chapter I

INTRODUCTION

China in 1937 was anything but a strongly unified country, democracy or dictatorship. With the fall of the Manchu dynasty in 1912, China had been plagued with dissension, division, and warlordism. In the late 1920's the picture began to brighten for the Chinese people as a more stable unified government under the Kuomintang began to assert itself throughout China. In 1926 the Kuomintang began its great Northern Expedition against the northern warlords, notably Sun Ch'uan-fang and Chang Tso-lin. After initial success in the field of battle under the leadership of Chiang Kai-shek, dissension fast developed within the Chinese national revolutionary movement. Soon there was an open split of the "united front," with the communists directed from Moscow and the nationalists led by Chiang Kai-shek. The bloody purge of the communists initiated by Chiang at Shanghai soon swept many parts of South China. However, the Northern Expedition moved onwards to the north, reaching Peking in June, 1928. The

last major northern warlord threat to Chiang's Nationalist government was Chang Tso-lin, who was killed by a Japanese-planted railroad bomb as he fled northern China to his native Manchuria. Chang Tso-lin was succeeded by his son, Chang Hsueh-liang, who soon after raised his banner in support of the nationalist cause. Ironically, some eight years later Marshal Chang Hsueh-liang captured Chiang Kai-shek and forced the Nationalist-Communist "united front" opposing the Japanese. But, this establishment of Nationalist rule from Canton to Peking in 1928 was the nearest to unification China had known since the downfall of the Manchu empire.

The years from 1928 to 1937 were not peaceful for the Kuomintang government. There were still sizable areas and numerous warlords to be subdued into accepting the new Nanking leadership. Chiang Kai-shek looked on the communist element as the greatest domestic threat to him and the Nationalist movement. The communists were able to establish a rival government centered in Kiangsi Province which took Chiang some five major military campaigns, between 1930 and 1934, to destroy. Unfortunately for Chiang and the Kuomintang the fifth "bandit suppression campaign," which succeeded in the capture of the Kiangsi Soviet area, failed to capture the communist leadership, who escaped to the northwest in the now famous "long march." The communists again were successful in establishing a new base in northern Shensi by late 1935. Immediately Chiang deployed forces in hopes of final destruction of his domestic foes. The army deployed in opposition to the communists at Paoan was the Manchurian army under the young Marshal Chang Hsueh-liang. It was

at his encampment near Sian that Chiang Kai-shek, while inspecting his troops, was captured by this young marshal on December 12, 1936. Out of this capture came the Kuomintang-Communist "united front" agreement to oppose further Japanese aggression.

Japanese aggression was indeed real enough to warrant some type of united effort by the Chinese. China had clearly recognized Japan as her major foreign menace for many decades. Just before the coming of the twentieth century, in 1895, China had lost a war to Japan and by the Treaty of Shimonoseki recognized the independence of Korea, ceded to Japan Formosa, the Pescadores Islands, the Liaotung Peninsula of Manchuria, agreed to pay a large indemnity, and opened more treaty ports. In 1904-1905 Japan and Russia fought a major war over the Chinese territory of Manchuria and Japan's victory signaled further encroachments on Chinese territorial integrity. Japan took advantage of World War I to take over the German concessions on the Shantung Peninsula and to issue her own harsh "twenty-one demands" on the Chinese government. Japan, not satisfied with her dominant position in Manchuria, staged the Mukden Incident on September 18, 1931, when she felt sufficient to completely take control of Manchuria, expelled the Manchurian army of Chang Hsueh-liang and later created the "independent" state of Manchukuo. Unfortunate as it was for the Chinese, outside world opinion was content with using moral pressure and taking such action as nonrecognition in response to the Japanese aggression. But as before, more territory only whetted the appetite of the expansionist Japanese, and soon raids and advances were taking place south of the "Great Wall" in north

China proper. It was one of these actions, Lukouchiao or the Marco Polo Bridge Incident on July 7, 1937, that started a war that was to evolve into a world war not to end until the dropping of atomic bombs in 1945.

Suffice it to say that Japan was not the only aggressor nation in China. Since the early nineteenth century the western European nations, Russia, and even the United States had been creating spheres of influence, extracting unequal treaties and concessions from the Chinese. In many ways, Japan was only following the lead of Europe in her China actions and policies. Within thirty years after the Meiji Restoration, the feudalistic Japan was transformed into a territorial and commercial empire, and the only logical place for expansion at the time was on the badly divided and weakened Chinese mainland.

The United States had become deeply involved in China by the turn of the twentieth century. This nation had feared the complete partitioning of the decaying Manchu empire unless some agreement among the major powers with commercial interests in China was reached. This fear of being closed from the potentially great China market initiated Secretary of State John Hay's "open door notes." The first note of 1899 asked for agreement on the guarantee of equal trading privileges for all nations and that treaty ports remain open to all parties. The second note, written during the height of the Boxer Rebellion of 1900, went much further as stating that American policy was to "preserve Chinese territorial and administrative entity." Regardless of how permanent or serious a policy these "open door notes" of the State Department were at the time, they became accepted

as a basic cornerstone of American policy toward China.¹ Again in 1908, with the Root-Takahira Agreement between the United States and Japan concerning preservation of the status quo in Asia, the policy of an open door of China was reiterated.²

Another significant act of American diplomacy toward China was the signing of the Nine-Power Treaty at the Washington Disarmament Conference of 1921-1922 by the United States, Great Britain, Japan, France, Italy, China, Portugal, the Netherlands, and Belgium. All of the signatories, excepting China of course, agreed "to respect the principle of the open door in the Far East and to refrain from using the unsettled situation in China to advance their special interests at the expense of nationals of other countries."³ This treaty proved of little value as certainly Japan felt little bound by it in her later actions, while other members took no action in opposition to Japan. The first real test came when Japan created the puppet Manchukuo government. Little was done save the League of Nations which sent forth the Lytton Commission which condemned Japan, and the United States invoked the famed Stimson Doctrine of nonrecognition. A final test of the Nine-Power Treaty came with the Lukouchiao Incident of July 7, 1937, but the Japanese aggression continued.

¹Robert H. Ferrell, American Diplomacy: A History. (New York: W.W. Norton and Company, Inc., 1969), pp. 411-412.

²Ibid., p. 417.

³Ibid., p. 572.

Americans, other than those employed in the State Department or in diplomatic circles, were acquainted with, interested in, and concerned about China and the Chinese people. This nation had been sending forth sons and daughters as missionaries to teach the gospel since 1829. And were not the leaders of China, Chiang Kai-shek, and his wife, the former Soong Mei-liang, converted to Christianity by American missionaries? Americans were being made aware of China and her people by the writings and activities of people such as Pearl Buck and Henry R. Luce, both the children of missionaries. Just as many Americans were aware of China through their support of missionaries and their widespread reading of popular literature, some Americans had a fear that Japan was the major American rival in Asia. As early as the first Sino-Japanese war in 1895, and certainly by the time of the Russo-Japanese war and the following period of "Yellow Peril" hysteria, many Americans looked on Japan as a chief rival and perhaps future foe of America and her policies.⁴

As surely as Americans were interested in saving souls, they were probably even more interested in making profits, and China loomed as a place of great potential market. American businessmen were probably somewhat blinded by the vast Chinese nation and her huge population of a potential 400,000,000 customers. Perhaps the mere idea of such a market caused our

⁴William L. Neumann, "Ambiguity and Ambivalence in Ideas of National Interest in Asia" in Alexander De Conde (ed.) Isolation and Security. (Durham: Duke University Press, 1957), pp. 138-139.

large trade with Japan to be overlooked. In reality, however, by 1920, America's trade with Japan was much larger than that of China.⁵ In terms of both exports and imports our Japanese trade was almost half of all our Asian trade and over twice as large as our China trade in the years 1920 until 1938. In fact, "Japan took eighteen percent of all United States exports and supplied six and one-half percent of all United States imports."⁶ The United States was the world's best customer of the Japanese, and in turn Japan was the third best customer of the United States, China was down the list, being our seventeenth best customer.⁷

Likewise the major American investments in Asia were in Japan. In 1935, Americans had \$750,000,000 invested in China, Japan, the Philippine Islands, and Malaysia. Of this amount more was invested in Japan than in the rest of Asia. Great Britain was the primary investor in Asia with a larger Chinese investment than that the United States had in all of Asia. For every dollar Americans had invested in China, the British had

⁵Ibid., pp. 135-136.

⁶Claude A. Buss, War and Diplomacy in Eastern Asia. (New York: The Macmillan Company, 1941), p. 511.

American Trade with Asia in Millions of U.S. Dollars

	Exports			Imports		
	Asia	Japan	China	Asia	Japan	China
1921-25	451	241	128	785	335	160
1926-30	507	246	134	988	379	155
1931-35	309	169	75	414	148	55
1938	-	240	34	-	125	47

⁷Ibid., p. 512.

seven. Also the Japanese had larger investments in Manchuria than the United States had in all of Asia.⁸

The United States government, just as big business, was viewing the great potential Chinese market. In May, 1933, an early depression year with outside markets in prime demand, the Reconstruction Finance Corporation granted a \$50,000,000 wheat and cotton credit to the Chinese government. This credit failed to create the market for American products that was desired, and the Chinese were forced to cancel the credit in April, 1935, because of their inability to dispose of these goods. Of this credit, at the time of cancellation, only \$17, 105,385 had been used.⁹ American government and private enterprise were interested in the development of commercial aviation in China, and the market that could be created. In 1932-33 a number of American aviation instructors, with cooperation of private industry and the Aeronautics Trade Division of the Commerce Department, established training schools for Chinese pilots at Hangchow and at Canton, but by June, 1935, the contract for American instructors at the Hangchow school was allowed to expire. Other aviation investments in the mid-1930's were the Curtiss-Wright Corporation's construction of a five-million-dollar airplane assembly plant in China, which was later moved inland due to the war, and the acquiring by Pan-American Airways of shares in the China National Aviation Corporation in 1935.

⁸Ibid., pp. 515-516.

⁹T. A. Bisson, America's Far Eastern Policy. (New York: Institute of Pacific Relations, 1945), pp. 39-40.

This interest in Chinese aviation is evident as the "sale of American aircraft and accessories to China, including military planes, had risen from \$157,515 in 1932 to \$1,762,247 in 1933."¹⁰

Just as the importance of the Chinese market was looked on by businessmen as potentially great, so the United States government placed major Asian diplomatic importance on China. John V. A. MacMurray, chief of the Far Eastern Division of the State Department, once concluded:

... our government policy as well as popular opinion put China at the center of its thinking on Far Eastern affairs--make it the sun to which Japan and even our own Philippines possessions were merely planetary.¹¹

Surely this statement on the position of China in American foreign policy has some validity as:

The earliest trans-Pacific trade had centered on China, and it was in China that the first American commercial interests were established. American religious and philanthropic groups gave the Chinese the greatest attention. The cornerstone of American Far Eastern policy, the Open Door₁₂ concept, had its origins in relations with China.

¹⁰Ibid.

¹¹Neumann, "Ambiguity and Ambivalence in Idias of National Interest in Asia," p. 135.

¹²Ibid.

Chapter II
UNITED STATES POLICY FROM THE
LUKOUCHIAO INCIDENT TO THE BRUSSELS CONFERENCE

On the night of July 7, 1937, a seemingly common event in the long series of Sino-Japanese hostile incidents occurred. But this event, which came to be known to the western world as the Marco Polo Bridge Incident, took on a snowballing effect that both the Chinese and Japanese seemed either unable or unwilling to slow or settle. At first, most of the world misjudged the event taking place in north China and looked on it as just another Asian incident, not nearly as important as those then taking place in Europe.¹ Many people believed that China would act as she had in the past and put up little resistance to Japanese acts of aggression. After all, China had

¹Waldo H. Heinrichs, American Ambassador: Joseph C. Grew and the Development of the United States Diplomatic Tradition. (Boston: Little, Brown and Company, 1966), p. 237.

done little to nothing in a series of Japanese aggressions from the invasion of Manchuria, Jehol Province, and actions south of the Great Wall, why would she offer resistance at this new aggression?² Therefore, world eyes were on the rise of the German and Italian totalitarian regimes, failure of the League of Nations and of the Kellogg-Briand Pact, the Italian-Ethiopian crisis and the Spanish Civil War. With indifference Americans viewed these world events, as isolationism grew stronger.³ Not only were the European events preoccupying the American public but domestic issues largely overshadowed this north China affair. President Roosevelt was caught in the midst of his supreme court bill with all its debate, and there was the new stronger neutrality legislation passed after the famed munitions hearings, so that events in China indeed seemed very remote to the majority of Americans.⁴

Unfortunately for China, Japan, and the world, the Marco Polo Bridge incident did not become just another event as the Japanese invasion continued and the fighting spread to the Shanghai area by mid-August, 1937.⁵ As the Sino-Japanese hostilities spread and continued, the United States government was faced

²Russell D. Buhite, Nelson T. Johnson and American Policy Toward China, 1925-1941. (East Lansing, Michigan: Michigan State University Press, 1968), p. 85.

³Dorothy Borg, The United States and the Far Eastern Crisis of 1933-1938. (Cambridge: Harvard University Press, 1964), p. 283.

⁴William C. Johnstone, The United States and Japan's New Order. (New York: Oxford University Press, 1941), p. 230.

⁵Heinrichs, American Ambassador, p. 238.

with some basic decisions to be made. Of prime importance was the question of protection of American citizens and property in China, should the neutrality legislation be invoked. Secretary of State Hull was asked if the Japanese actions were a violation of the Nine-Power Treaty of 1922. In an off-the-record press conference of July 16, 1937, he responded that sufficient information was not available to place blame on one party or the other, and that we were doing all possible in urging a peaceful settlement.⁶ But "underlying these immediate issues was the basic question of whether the United States could 'stay out of war' by pursuing the isolationist policy implicit in the neutrality legislation or by cooperating where feasible with other nations to halt aggression and prevent the outbreak of general war."⁷ Evidently this nation decided not to follow either concept entirely. Secretary Hull rejected a Chinese appeal that we act as a mediator as we had done for Russia in the Russo-Japanese War on the ground that such action would only anger the Japanese and make their military faction stronger.⁸ Also Hull rejected a bid by the British for an Anglo-American mediation on July 12, 1937. Great Britain brought up this Anglo-American joint mediation idea two more times before

⁶Julius W. Pratt, Cordell Hull, 1933-1944, in Robert H. Ferrell (ed.) The American Secretaries of State and Their Diplomacy. (New York: Cooper Square Publishers, Inc., 1964), XI. 243.

⁷Bisson, America's Far Eastern Policy, p. 65.

⁸Herbert Feis, The Road to Pearl Harbor: The Coming of the War Between the United States and Japan. (Princeton: Princeton University Press, 1950), p. 10.

the end of July but Washington remained silent.⁹ However, on July 21, 1937, Secretary Hull did call in Chinese Ambassador Wang Cheng-t'ing and Japanese Ambassador Saito for separate conversations at the State Department. Hull informed both parties that the United States "was ready and would gladly do anything short of mediation—which would require the agreement of both parties in advance—to contribute in a fair and impartial way toward composing the matter of controversy between China and Japan."¹⁰

Also, Secretary Hull instructed Ambassador Grew in Japan on August 10, 1937, to inform the Japanese that the United States would offer its good offices toward the settlement of the Sino-Japanese dispute. The Japanese failed to respond to this invitation, and no similar approach was made toward the Chinese, as the department felt nothing was to be gained.¹¹

The State Department was trying hard to be neutral in handling the crisis from a standpoint of diplomacy, yet public opinion was not quite that neutral. A Gallup poll taken in August, 1937, showed some fifty-five percent of the public polled feeling completely neutral, forty-three percent favoring the Chinese, and only two percent in favor of Japan.¹² The

⁹Borg, The U.S. and the Far Eastern Crisis, pp. 286-287, 293, 297.

¹⁰United States Department of State, Peace and War: United States Foreign Policy, 1931-1941. (Washington: U.S. Government Printing Office, 1942), p. 45.

¹¹Ibid., p. 46.

¹²Robert A. Divine, The Illusion of Neutrality. (Chicago: The University of Chicago Press, 1962), p. 205.

poll showed that a small majority did refuse to take sides and was, in fact, neutral. However a large minority clearly favored China, with little sympathy for Japan even registered.

As the hostilities in Asia continued, Americans, Chinese, Japanese, and others looked to President Roosevelt to see if the recently passed neutrality legislation would be put into effect. In 1935 there had been strong public support for an embargo on the export of arms to belligerents with the idea that such action would keep this nation free from involvement in foreign wars. Because of this strong feeling, a joint resolution of Congress was passed in August, 1935, which provided that when the president should find a state of war to exist among two or more foreign states, it would be illegal to export arms, ammunition, or implements of war. Also this 1935 legislation provided for the licensing of arms exports, the prohibition of transport on United States owned vessels, and the restriction of travel by American citizens on belligerent ships.¹³ Since 1935, Congress had added the cash and carry provisions to this neutrality legislation, which, in effect, prevented Americans from selling goods to belligerents on credit. Also new provisions made it illegal for American ships to trade with nations at war. President Roosevelt realized that if this legislation were invoked Japan would stand to benefit while China would be more penalized. Japan possessed the necessary capital to make purchases and had the necessary transportation, while China lacked the transport facilities and the necessary

¹³Dept. of State, Peace and War, p. 24.

finances.¹⁴ President Roosevelt realized that Japan manufactured her own arms and munitions and her imports from the United States consisted of items such as oil, cotton, iron, scrap, etc., items very necessary to a defense industry but still not specifically listed in the neutrality legislation. Any attempt to embargo other items would have required action by the Congress and there was the matter of the most favored-nation-clause in the American-Japanese Commercial Treaty of 1911 to consider.¹⁵

Because of these basic inequalities in the neutrality legislation and the ambiguity in its wording, President Roosevelt decided on August 16, 1937, "to withhold a neutrality proclamation until China and Japan formally declared war against each other." This gradually became hardened policy as no declaration of war from either party was forthcoming.¹⁶ The decision by President Roosevelt not to invoke the legislation was not in keeping with his earlier actions. He had invoked the legislation when faced with the Italian invasion of Ethiopia, and issued the following statement, "We are acting to simplify definitions and facts by calling war 'war' when armed invasion and a resulting killing of human beings takes place." President Roosevelt admitted in an off-the-record press conference in April, 1938, and Secretary Hull did likewise in his Memoirs that their

¹⁴Robert A. Divine, Roosevelt and World War II. (Baltimore: The Johns Hopkins Press, 1969), pp. 14-15.

¹⁵Elton Atwater, American Regulation of Arms Exports. (Washington: Carnegie Endowment for International Peace, 1941), pp. 230-231.

¹⁶Divine, Roosevelt and World War II, pp. 14-15.

decisions were reached for reasons of trying to assist China and that the legislation would not have harmed Japan.¹⁷

Thus the President's policy of finding no existing war was made possible because China refrained from a declaration of war, knowing she would suffer from the impending embargo, while Japan probably feared that raw materials used in armament production might be added to the list and also embargoed.¹⁸ President Roosevelt found support of this course of action when Senator Pittman, chairman of the Senate Foreign Relations Committee, issued a statement on July 29, 1937, that armed conflict did not necessarily mean that there was a state of war in existence. He also stated that the President by not enacting the neutrality legislation could probably do more to resolve the conflict. Throughout July newspaper editorials and public opinion seemed to favor the President's course of action, but after the war spread to the Shanghai area a change in feeling was registered. Senators Nye and Clark urged that the legislation be applied even though it might be to Japan's benefit. Also twenty-four members of the House of Representatives urged that action be taken "to protect this country against becoming involved in the Far Eastern war." Soon thereafter President Roosevelt and Congress came under strong pressure as letters, telegrams, etc., began to pour in demanding action.¹⁹

¹⁷Pratt, Cordell Hull, pp. 244-245.

¹⁸Sumner Welles, The Time for Decision. (New York: Harper and Brothers Publishers, 1944), p. 287.

¹⁹Bisson, America's Far Eastern Policy, p. 68.

State Department officials and foreign office officials of both China and Japan were curious as to what role President Roosevelt would take or be pressured into. On August 6, 1937, Ambassador Grew in Tokyo, wired Secretary Hull that the Japanese Foreign Minister had asked about the neutrality legislation. Grew reported that his reply was to point out that this was a "domestic matter and its interpretation by foreigners is difficult."²⁰ On August 16, 1937, the Secretary of State requested that Ambassador Nelson T. Johnson in China say what the probable Chinese reaction would be to the application of the neutrality laws.²¹ Ambassador Johnson's message in reply to Hull stated that the Chinese would be upset and that their reactions could make it dangerous for American citizens in China.²² Ambassador Johnson advised against the enacting of the neutrality legislation, and stated that China hoped for material assistance, feeling that they were protecting American and British interests in their opposition to Japanese aggression.²³ Secretary Hull replied to his Ambassador in China on September 15, 1937, that: "Two particular objectives of our present policy and course of action with regard to the Far Eastern situation are: (1) To keep this country at peace, and (2) To safeguard the lives of American

²⁰United States Department of State, Foreign Relations of the United States: Diplomatic Papers, 1937. (Washington: U.S. Government Printing Office, 1954), III. 336-337.

²¹FRUS, 1937, III. 424.

²²FRUS, 1937, III. 516-517.

²³Buhite, Johnson and American Policy Toward China, p. 130.

nationals."²⁴ Meanwhile Ambassador Grew in Tokyo was informing the State Department on September 7, 1937, that he believed Japan would take "drastic measures to prevent supply of arms for China." He did not believe our interest in China would be worth the risk of our possible involvement.²⁵ So we can see that our two ambassadors were in disagreement, Ambassador Johnson not wanting neutrality declared and Ambassador Grew desiring strict application of the neutrality laws.

Even if President Roosevelt was able to avoid invoking of the neutrality legislation, public pressure was mounting and some action seemed necessary to keep the nation free from involvement in the Asian hostilities. Two areas that could possibly lead to American involvement were the American aviation instructors serving China, and the carrying trade of implements of war on United States flag and government-owned vessels. As early as August 15, 1937, Consul General Gauss at Shanghai reported to Secretary Hull that American aviation instructors were serving China.²⁶ The official view from Washington was that it was illegal for American citizens to advise and instruct military personnel, aviation or otherwise.²⁷ The United States Consul at Hong Kong, Donovan, reported to Secretary Hull on August 21, 1937, that efforts were being made to keep American

²⁴FRUS, 1937, IV. 528-530.

²⁵FRUS, 1937, III. 515-516.

²⁶FRUS, 1937, IV. 520.

²⁷Arthur N. Young, China and the Helping Hand, 1937-1941. (Cambridge: Harvard University Press, 1963), p. 27.

aviators from joining the Chinese.²⁸ Ambassador Johnson informed Secretary Hull on September 1, 1937, from Nanking that Madame Chiang Kai-shek, who was in charge of Chinese airforce administration, was upset concerning the handling of American aviators as she pointed out that this was not neutral because the neutrality law was not in effect and because Italy and Germany were still contributing to China's defensive efforts.²⁹ Secretary Hull's reply to Ambassador Johnson on September 7, 1937, was for the Ambassador to tell Madame Chiang that the United States did not approve of its citizens being involved in foreign wars.³⁰

President Roosevelt took action concerning the transport of munitions to the Asian belligerents on United States owned vessels in the following press release issued by the Department of State on September 14, 1937:

Merchant vessels owned by the Government of the United States will not hereafter, until further notice, be permitted to transport to China or Japan any of the arms, ammunition or implements of war which were listed in the President's proclamation of May 1, 1937. Any other merchant vessels, flying the American flag, which attempt to transport any of the listed articles to China or Japan will until further notice, do so at their own risk. The question of applying the Neutrality Act remains in status quo,³¹ the Government policy remaining on a 24-hour basis.

²⁸FRUS, 1937, IV. 521-522.

²⁹FRUS, 1937, IV. 523-524.

³⁰FRUS, 1937, IV. 524-525.

³¹United States Department of State, Papers Relating to the Foreign Relations of the United States, Japan: 1931-1941. (Washington: U.S. Government Printing Office, 1943), II. 201.

Thus, the Secretary of State informed Ambassador Johnson in China of Roosevelt's recent decision in a message on September 15, 1937.³²

Almost immediately this policy was put into effect in the case of the SS Wichita. The Wichita had sailed in August from an eastcoast port with nineteen Bellanca airplanes purchased by China. This ship was owned by the federal government but operated under a charter to a private company. When the Wichita called on San Pedro, California, before starting her Pacific run the planes were unloaded in accordance with the latest decision.³³ The Japanese had proclaimed a blockade against Chinese shipping on August 25, 1937.³⁴ Probably the President wished to avoid trouble from Japan and domestic pressure from isolationist and pacifist groups that helped bring on the decision.³⁵

This action taken by President Roosevelt had more far reaching effects than one at first might realize. The government owned only four vessels engaged in the Asian trade, but the warning to private companies that they operated at their own risk was detrimental to the Chinese. Trade with Japan was almost risk free but trade with China was full of risk in the face of

³²FRUS, 1937, IV. 532-533.

³³Young, China and the Helping Hand, p. 28.

³⁴S. Shepard Jones and Denys P. Myers (eds.), Documents on American Foreign Relations. (Boston: World Peace Foundation, 1939-1942), I. 535-536.

³⁵Divine, Roosevelt and World War II, p. 15.

Japanese sea power and their proclaimed blockade.³⁶ This is evident in examination of the values of licenses on war materials issued in the years 1937 and 1938 to Japan and China. Licenses for goods to Japan increased from \$1, 173,942 for the year ending November 30, 1937, to \$9,241,282 for the year ending November 30, 1938, while for China the total increased from \$6,057,093 as of November 30, 1937 to \$9,180,800 ending November 30, 1938.³⁷

The Chinese government did register a protest on the Wichita case on September 17, 1937.³⁸ On September 22, 1937, a representative of the Bellanca Airplane Company asked the State Department if it would be permissible to ship the nineteen airplanes, which had been removed from the Wichita by a foreign flag vessel.³⁹ The planes were finally reshipped aboard a European vessel to China.⁴⁰ The Chinese also tried to obtain arms and munitions from the du Pont Company and Remington. These companies asked the State Department if this would be permitted, and the department approved as long as the proper license was obtained.⁴¹ However, several companies, du Pont in particular, were very hesitant to sell to China.

³⁶Bisson, America's Far Eastern Policy, p. 70.

³⁷Atwater, American Regulation of Arms Exports, p. 229.

³⁸Jones and Myers, Documents, I. 535-536.

³⁹FRUS, 1937, IV. 537-538.

⁴⁰Jones and Myers, Documents, I. 536.

⁴¹FRUS, 1937, IV. 536-537.

They feared public opinion after the national debate concerning our entry into World War I and the "merchants of death" ideas.⁴²

Almost as much controversy was generated in this country over the protection of American citizens as there was about neutrality. The first response was to reinforce the American military contingent at Shanghai where the majority of American citizens were located. On August 17, 1937, the Navy Department announced in a press release that 1,200 marines in the transport USS Charmont had departed San Diego for Shanghai being accompanied by the light cruiser USS Marblehead.⁴³ Later as the fighting shifted to the Shanghai area and the passenger liner SS President Hoover was accidentally bombed by the Chinese, the mood began to change and there was pressure for American withdrawal from China. Accordingly on September 3, 1937, a warning was issued for American citizens to leave Shanghai and on September 5, 1937, President Roosevelt stated that those who remained in Shanghai did so at their own risk.⁴⁴ Later Vice-President Garner requested from the State Department information concerning the numbers of American civilian and military personnel in China. Secretary Hull replied to the Vice-President on January 8, 1938, that in July, 1937, there were 10,500 American citizens residing in China and as of November 6, 1937, the number had decreased to 6,000. The military was distributed as follows: Peiping (U.S. Marines) - 528, Tientsin (U.S. Army) - 814, Shanghai

⁴²FRUS, 1937, IV. 540-543.

⁴³FRUS, 1937, III. 430.

⁴⁴Bisson, America's Far Eastern Policy, pp. 67-68.

(U.S. Marines) - 2,555 (1,500 of these being on temporary duty), and the U.S. Navy had some forty-four vessels containing 1,800 officers and men in the Asiatic Squadron. Of this number nine gunboats with 965 officers and men were serving on Chinese rivers.⁴⁵

Soon after this information was provided to Vice-President Garner, American withdrawal began in China. The first withdrawal was announced in a Department of State press release on February 4, 1938. The Fifteenth Infantry was being withdrawn from Tientsin. However, to temporarily fill this void two companies of Marine guards were shifted from Peiping to Tientsin.⁴⁶ This slowed but did continue almost up until the attack on Pearl Harbor.

The American government and her citizens had more in mind than self-interest in avoiding being caught up in the conflict. There was real concern by the government and the public for the Chinese in their latest tragedy. We may have taken all precautions to avoid involvement in the conflict, but we were quick to offer and give medical and humanitarian assistance. Ambassador Johnson informed Secretary Hull on September 8, 1937, that medical supplies of all kinds were needed for both refugees and soldiers. He reported that the supplies were needed to combat the spread of epidemics such as cholera, dysentery, and typhoid. The Ambassador went on to suggest that the National Red Cross Society send aid to assist the Chinese. This was

⁴⁵FRUS, JAPAN, 1931-1941, I. 429-434.

⁴⁶FRUS, JAPAN, 1931-1941, I. 448-449.

followed up when Secretary Hull wired the Consul General at Shanghai, Gauss, asking what assistance the United States could give and what supplies were available there from Red Cross and American military sources. Action was then taken by the Advisor on Political Relations of the State Department, Hornbeck, who instructed the chief of the Division of Far Eastern Affairs, Hamilton, to send Army and Navy surplus supplies. Secretary Hull next informed Ambassador Johnson that Admiral Grayson, Chairman of the American Red Cross had appropriated \$100,000 for medical and hospital supplies. On October 28, 1937, Ambassador Johnson recommended to the State Department what supplies and in what quantities the appropriated fund should go towards.⁴⁷

Later, on January 17, 1938, President Roosevelt made a public appeal to Admiral Grayson of the American Red Cross and to the American public to do more to aid the suffering of the Chinese. He asked that this offering be as much as one million dollars.⁴⁸ The American public did respond to this plea and supplies valued at over \$1,000,000 were sent to China in the period between the summer of 1937 through September of 1940. After October, 1940, the program increased greatly and some \$2,800,000 in assistance was delivered in the next thirteen months into free and Japanese occupied China.⁴⁹

⁴⁷FRUS, 1937, IV. 627-637.

⁴⁸Franklin D. Roosevelt, The Public Papers and Addresses of Franklin D. Roosevelt, 1938 Volume The Continuing Struggle for Liberalism. (London: MacMillan and Company, Ltd., 1941), p. 55.

⁴⁹Robert W. Barnett, China - America's Ally. (New York: American Council, Institute of Pacific Relations, 1942), p. 44.

On September 12, 1937, China appealed to the League of Nations for some type of assistance in her fight against Japanese aggression. At least at the League China would have access to a forum in which to plead her case to the world and perhaps assistance would be forthcoming. The League Council referred the Chinese appeal on to an advisory committee which had been established in 1933 to deal with the Manchurian incident. An American representative met and sat on this committee but had no vote as the United States had refused to join the League.⁵⁰ On September 28, 1937, Secretary Hull sent instructions to Minister Harrison in Switzerland, who represented the United States in the League's proceedings. In his instructions, Hull stated that China was willing for negotiations but Japan's intention was to "destroy the Chinese will and capacity to resist and to overthrow the existing Chinese Government." Secretary Hull continued in his instructions to give his view that the situation was not one of broken treaties but basic "questions of international law, of humanity, of war and of peace."⁵¹ In these instructions the "moral persuasion" approach to diplomacy is clearly drawn out. The United States policy would be one of independent action, refusing to join in joint actions with other nations.⁵²

While the League was debating the Sino-Japanese problem, President Roosevelt delivered his controversial "Quarantine

⁵⁰Young, China and the Helping Hand, p. 15.

⁵¹Dept. of State, Peace and War, p. 48.

⁵²Young, China and the Helping Hand, p. 15.

Speech" at Chicago on October 5, 1937.⁵³ The President spoke in vague terms of the need for quarantine of the aggressor nations of the world. Perhaps the President had no definite plan of quarantine in mind but was only looking for ways of dealing with international problems.⁵⁴ Whatever the President had in mind, he did not condemn any nation by name and was seeking a solution for world peace.⁵⁵ It is significant that the President picked isolationist Chicago for his address, the speech came under immediate attack from the isolationist elements and no action was taken nor the speech followed up.⁵⁶ The Japanese did not fail to take notice of the speech. Ambassador Grew states that Japan believed the United States the "only genuinely impartial country during the hostilities between Japan and China, until the moment of the President's Chicago speech on October 5, 1937."⁵⁷

On October 6, 1937, the League adopted a resolution declaring "moral support" for the Chinese and urged the League's member nations not to take actions to weaken China's resistance. The League then went on to ask member nations to consider independent assistance to the Chinese.⁵⁸ Also in the League's

⁵³An excellent analysis of the speech is found in Dorothy Borg's "Notes on Roosevelt's 'Quarantine' Speech," Political Science Quarterly, September, 1957, pp. 405-433.

⁵⁴Borg, The U.S. and the Far Eastern Crisis, p. 537.

⁵⁵Ibid., p. 385.

⁵⁶Young, China and the Helping Hand, p. 15.

⁵⁷Joseph C. Grew, Turbulent Era: A Diplomatic Record of Forty Years. (Boston: Houghton Mifflin Company, 1952), II. 1201.

⁵⁸Young, China and the Helping Hand, p. 15.

resolution was the recommendation that members of the Nine-Power Treaty, Washington 1922, "seek a method of putting an end to the Sino-Japanese conflict by agreement." The United States endorsed the League's resolution of "moral support" for China but refused to have recourse to the Nine-Power Treaty Conference in Washington as suggested by the British. Instead Brussels was suggested as a site for the conference, and it was set for November 3, 1937.⁵⁹

President Roosevelt announced in an address of October 12, 1937, "the sole purpose of American policy at the Brussels conference would be to cooperate with China and Japan to seek an end to the fighting."⁶⁰ Japan refused to take part in the Brussels conference, and the Soviet Union accepted an invitation to attend as a special guest. It was this non-member nation, the Soviet Union, which was the only party willing to take concrete action in opposition to Japanese aggression. The only action by other attendants, including the United States, Great Britain, and France, was to call for a peaceful settlement.⁶¹ Because of the very weak position taken by the United States, the talks ended in complete failure. President Roosevelt was unwilling to take "strong action against the Japanese unless and until isolationist opinion in the United States altered radically,"⁶²

⁵⁹Borg, The U.S. and the Far Eastern Crisis, p. 399.

⁶⁰Robert A. Divine, The Reluctant Belligerent, p. 43.

⁶¹Young, China and the Helping Hand, pp. 15-16.

⁶²Borg, The U.S. and the Far Eastern Crisis, pp. 538-539.

Immediately after the Brussels Conference, China approached the United States, Great Britain, and France for a loan of \$500,000,000 to purchase war materials. The loan was to be secured on customs, salt revenues, and oil concessions. The proposal was quite large but entirely realistic considering the Chinese situation at the time. The idea received little consideration from the said Powers, and therefore was dropped.⁶³ Just as the United States prestige went down in Japan after the quarantine speech, so it did likewise in China after our weak show at the League and at Brussels. Dr. Wellington Koo, the Chinese representative at Brussels, remarked on the Nine-Power Conference that the British remained friends of China, but the United States had let his country down.⁶⁴

The outbreak of the second Sino-Japanese War in 1937 caught the United States without a real policy to put into effect. The neutrality legislation was available but the President saw fit to see that it should not be enacted. Instead our policy became one of wait and see, the "24 hour" policy. American action concerning the shipping of munitions on United States flag vessels proved to favor the Japanese and to restrict China. The American public showed willingness and eagerness to give China medical and humanitarian assistance but was unwilling to take stronger measures. In fact the primary object of American policy in the months that followed the Marco Polo Bridge

⁶³Young, China and the Helping Hand, p. 16.

⁶⁴Borg, The U.S. and the Far Eastern Crisis, p. 438.

incident was to keep out of the conflict.⁶⁵ Secretary Hull's moral approach proved to be the nation's only policy at the meeting of the League and at the Brussels Conference.⁶⁶ Our ambassadors in the respective countries were of divided opinion as usual, Ambassador Johnson feeling that China was indeed fighting for the "west" and correct in calling on the League and signatories of the Nine-Power Treaty and Kellogg-Briand Pact.⁶⁷ Meanwhile, Ambassador Grew wanted strict American neutrality so as to avoid entanglement in the affair.⁶⁸ Perhaps one reason for the weaker action by other nations was the Japanese threat to "ride roughshod over their interest and properties in China" if sanctions were imposed.⁶⁹ At any rate the Brussels Conference proved to be the last good chance for peace in Asia.⁷⁰ One prominent government official at the time and later historian comments that:

When in July 1937, the Japanese Army marched into China, we were trying to make foreign policy out of morality and neutrality alone. These neither prevented the advent of trouble nor provided effective ways of dealing with trouble.⁷¹

⁶⁵Barbara W. Tuchman, Stilwell and the American Experience in China, 1911-45. (New York: The Macmillan Company, 1970), p.173.

⁶⁶Borg, The U.S. and the Far Eastern Crisis, p. 533.

⁶⁷Buhite, Johnson and American Policy Toward China, p. 132.

⁶⁸Heinrichs, American Ambassador, p. 239.

⁶⁹Nicholas R. Clifford, Retreat from China: British Policy in the Far East, 1937-1941. (Seattle: University of Washington Press, 1967), p. 87.

⁷⁰Feis, The Road to Pearl Harbor, pp. 9-16.

⁷¹Ibid., p. 8.

Chapter III
EUROPE AND THE SINO-JAPANESE WAR, 1937-1941

Generalissimo Chiang Kai-shek dismissed his Russian military advisors in 1927 from the Kuomintang as the communist element of the movement was being purged and later in the next decade obtained the services of a German mission.¹ Probably a German mission was sought because Chiang purchased arms in that nation and the reputation of past Prussian military machines. A military mission from the United States was not sought because the military of this nation was weak, under strength, and unimpressive.² Germany was glad to provide the mission because it created a market for military equipment and re-established some German influence in Asia which had been lost

¹Young, China and the Helping Hand, p. 17.

²Charles F. Romanus and Riley Sunderland, Stilwell's Mission to China. (Washington: Department of the Army, 1953), p. 6.

as a result of World War I. Germany was able to play a large role in the development of Chinese commercial aviation by the formation of the Eurasia Company in 1930. This company was owned two-thirds by the Chinese government and one-third by German Lufthansa. The purpose of the airline was to provide a connecting air link with Europe through central Asia, but this proved improbable and the airline operated as a domestic carrier.³

The German government sent some of her finest and most noted officers to serve in the mission. General Von Seeckt arrived as head of the mission in 1933 and was succeeded by General Alexander von Falkenhausen in March, 1935.⁴ Von Falkenhausen proved to be of great value to Chiang Kai-shek because of their ability to converse in Japanese. Chiang Kai-shek had spent several years in Japan and Von Falkenhausen had served as a military attache in Japan from 1910 to 1914.⁵

The German advisors made an impact on the Chinese army. Some thirty German-equipped divisions were brought up to standards unknown in the past and with high loyalty to the Nationalist government.⁶ These German advisors and their trained troops proved valuable to Chiang's "bandit-suppression campaigns"⁷ and later fighting the Japanese in the Shanghai area in 1937.⁸

³Young, China and the Helping Hand, p. 23.

⁴F. F. Liu, A Military History of Modern China, 1924-1949. (Princeton: Princeton University Press, 1956), pp. 92-100.

⁵Young, China and the Helping Hand, p. 17.

⁶Romanus and Sunderland, Stilwell's Mission to China, p. 6.

⁷O. Edmund Clubb, Twentieth Century China. (New York: Columbia University Press, 1964), p. 200.

⁸Young, China and the Helping Hand, p. 17.

After the Sino-Japanese conflict began, Japan became upset with Germany over the presence of the military mission serving China. These two nations were allies of sorts under the Anti-Comintern Pact of 1936 and Japan was putting pressure on the Nazi government for removal of the mission. On August 26, 1937, the American charge d'affaires in Germany, Gilbert, wired Secretary Hull concerning Germany's position and Japanese pressures. Gilbert stated that the German Foreign Office wanted to retain the mission and believed that Japan was making propaganda out of Russian aid to China.⁹ The Germans were divided themselves over what policy they should follow. Sino-German relations were good, the market in China for German exports was improving, and also it was the feeling of many that if the German advisors were withdrawn, China would be forced to go to Russia for assistance. This would certainly work against the Anti-Comintern spirit.¹⁰ On October 20, 1937, Gilbert reported that the Germans believed their removal would "drive China into Soviet arms."¹¹ As a rule the German general staff was pro-Chinese, but after Ribbentrop became foreign minister, they were overruled and a shift toward the Japanese position was made.¹² In February, 1938, Hitler gave a signal as to the way his policy was to shift when he recognized the Japanese puppet state of "Manchukuo." This was

⁹FRUS, 1937, III. 481-484.

¹⁰David J. Dallin, Soviet Russia and the Far East. (New Haven: Yale University Press, 1948), p. 74.

¹¹FRUS, 1937, III. 625-626.

¹²Liu, A Military History of Modern China, pp. 163-164.

followed up with a treaty in May, and later that month on May 25, the German Ambassador to China, Oscar P. Trautmann, asked the Chinese government that military advisors be allowed "to cancel their contracts and return to Germany." Also he announced that German shipments of war material were being halted.¹³

On June 2, 1938, American Ambassador Wilson in Germany, informed Secretary Hull that Germany was recalling her mission as "it was 'out of line with Germany's neutral position' for them to continue their service."¹⁴ Ambassador Johnson informed Secretary Hull that the German government was threatening loss of citizenship, personal property, and possible punishment for treason for any of the advisors that failed to cancel their contracts and return to Germany.¹⁵

Chiang Kai-shek objected to the German mission being withdrawn but was powerless to stop it. He did tell von Falkenhausen that the Germans possessed many Chinese secrets that could be utilized by the Japanese. General von Falkenhausen took precautions that none of the mission would leave Asia via Japan and compromise China's military secrets.¹⁶ Ambassador Johnson reported that the Chinese gave two banquets for the Germans before they left to show their gratitude for their

¹³Young, China and the Helping Hand, p. 59.

¹⁴FRUS, 1938, III. 191-192.

¹⁵FRUS, 1938, III. 202.

¹⁶Young, China and the Helping Hand, pp. 59-60.

assistance over the years. One was given by Chiang on July 2, 1938, and the other by the Minister of War on July 4, 1938.¹⁷

Even after the removal of the German mission, Germany's policy toward China was very ambiguous. In October, 1938, she signed a barter agreement with China which had liberal terms, but the losses of Canton and Hankow caused the agreement to become of little value to the Chinese. Germany was hesitant to write off the Chinese market that was beginning to develop and felt that a complete Japanese victory would probably close the trade with Europe.¹⁸ Even as late as December 13, 1938, the American Consul at Rangoon, Brady, reported that the first shipment on the newly opened Burma Road was made up of German and Czech arms and munitions.¹⁹

The German fears that the removal of their military mission would open the door to the Soviets were well founded. The truth was that long before the German withdrawal, Russian assistance was being received by China. The Sino-Soviet relations had taken a turn toward improvement with the Sian incident and its forthcoming "united front." Before the Sino-Japanese conflict flared up, the Soviet Ambassador to China, Dimitri Bogomoloff, in April 1937, proposed a mutual assistance treaty between the Soviet Union and China. Bogomoloff also proposed a Soviet loan of approximately \$125,000,000 for munitions and

¹⁷FRUS, 1938, III. 213.

¹⁸Young, China and the Helping Hand, p. 60.

¹⁹FRUS, 1938, III. 612.

arsenal machinery for the Chinese.²⁰ China refused the Soviet proposals at the time and later, after the outbreak of hostilities, was able to get only a Sino-Soviet non-aggression pact. Even so, with the outbreak of the war, Russia was the first nation to offer and give concrete assistance to China.

The assistance began almost immediately and at the time of the signing of the non-aggression pact on August 21, 1937, a promise of credit of \$30,000,000 was given. This credit was raised to \$50,000,000 when formally signed in 1938. Meanwhile, the Soviet Union began to assist China with all efforts "short of war."²¹ Russia realized that her best and cheapest defense against Japan would be the Chinese, and therefore, the Soviet investments in strengthening China's power to resist the Japanese was in the best interest of its own defense.²² The Sino-Soviet pact of non-aggression and the Soviet assistance was indeed "good news" to the embattled Chinese, but it did prove the inevitable resuscitation of the communist movement in China which afforded a "good propaganda weapon" for Japan to use in showing Germany and others of her battle against communism in Asia.²³

²⁰Aitchen K. Wu, China and the Soviet Union: A Study of Sino-Soviet Relations. (London: Methuen and Company, Ltd., 1950), pp. 263-264.

²¹Young, China and the Helping Hand, pp. 19-22.

²²Liu, A Military History of Modern China, p. 169.

²³David J. Lu, From the Marco Polo Bridge to Pearl Harbor: Japan's Entry into World War II. (Washington: Public Affairs Press, 1961), pp. 1920.

The news and activities of the Soviets in their assistance to China were quickly learned by American diplomats around the world, who did not fail to report to the State Department. The charge d'affairs in the Soviet Union, Henderson, reported on August 26, 1937, that he believed the Kremlin had instructed the Chinese Communist Party to support Chiang, but to infiltrate and await the right opportunity. Also, he believed that aid from Russia to be limited to aircraft due to poor transportation routes.²⁴ Henderson seems to be unaware that the communists were cooperating with Chiang's government since the "united front" agreement reached at Sian. Henderson followed his message with another on September 20, 1937, informing Secretary Hull of the Sino-Soviet Non-Aggression Treaty signed on August 21, 1937.²⁵ The charge d'affairs in France, Wilson, informed the Department on September 29, 1937, of the news of Soviet shipments, which he believed to be small because of the poor transportation system, and also that Italy and Germany were selling important items to China.²⁶ Ambassador Grew, in Tokyo, wired on October 1, 1937, that the Japanese were "somewhat upset but quiet on the surface," and he did not believe the aid would amount to much more than military advisors and moral support.²⁷ Wilson, in Paris, informed Secretary Hull on October 16, 1937,

²⁴FRUS, 1937, III. 484-485.

²⁵FRUS, 1937, III. 537.

²⁶FRUS, 1937, III. 555-558.

²⁷FRUS, 1937, III. 562-566.

that some four hundred airplanes, both bombers and pursuits, had been shipped to China along with instructors and that approximately two hundred trucks were operating regularly in caravans transporting military supplies to China via central Asia.²⁸

The Russian mission to China consisted of some of their best military minds. In 1937, Marshal Klimentii Voroshilov was placed in charge of the Russian mission. His deputy M. Smirnov, became the Soviet Ambassador to China in late 1937, replacing Bogomolov. Other famous Soviets serving in China were Generals Georgii Zhukov as military attache and Vassily Chuikov as an advisor.²⁹

Russian credits to China in the years from 1937 to 1941 totaled some \$250,000,000. The chief negotiator of China for the non-aggression pact and the credits was the Chinese Ambassador to Moscow, Sun Fo, son of Dr. Sun Yat-sen.³⁰ The Chinese negotiated for credits of \$50,000,000 effective in March, 1938, another \$50,000,000 in July of that year, and for \$150,000,000 in June, 1939, all of which were handled by Sun Fo. The Chinese were to repay these credits in shipments of tea, wool, tungsten, lead, and other strategic materials.³¹ Apparently the Soviet credits had no political strings attached

²⁸FRUS, 1937, III. 616.

²⁹Young, China and the Helping Hand, p. 54.

³⁰Dallin, Soviet Russia and the Far East, p. 71.

³¹Liu, A Military History of Modern China, pp. 168-169.

nor did any credits go to the Chinese Communist Party, but directly to the Nationalist Government.³²

Once negotiations for credits were settled and credits granted the movement of military supplies to China and shipment out of agricultural and mineral products for payment presented a real challenge. Many of the goods came and went via the old 1,700 mile silk route from Lanchow through Sinkiang to the Russian border.³³ The United States Ambassador to France, Bullitt, reported to Secretary Hull on January 13, 1938, that he had received a visit from Dr. Ting-fu Tsiang, the recent Chinese Ambassador to Moscow. Dr. Ting-fu Tsiang said that aid was moving overland from Alma Ata in Russian Turkestan to Urumchi in Sinkiang, and then to Lanchow, Paoching, and Chungking on a completely motor road. The trip under the best of conditions took some eighteen days from the Soviet border to Chungking. Fuel for the trucks was a great problem with much of the gasoline for the trucks' return trips being carried to China by camel caravans. In addition to the overland assistance, almost all of the bulk and heavier equipment was transported by sea to Hong Kong, to Canton and into the interior, or via the French Railway from Indochina.³⁴ On May 9, 1938, Ambassador Bullitt again contacted the State Department concerning transportation to China. In this message Bullitt tells of a visit by Sun Fo and the news that China had an

³²Young, China and the Helping Hand, p. 57.

³³Ibid., p. 51.

³⁴FRUS, 1938, III. 19-20.

army of snow shovelers keeping the road through Sinkiang open in winter, and that at the time some 175,000 coolies were working on the new road to Burma.³⁵ A better road was completed in 1940 leading from Ulan Ude on the Trans-Siberian Railroad via Ulan Bator, in Outer Mongolia, then to Ningsia and on to Lanchow.³⁶ Ambassador Johnson, in Chungking, reported on the effectiveness of the overland road on April 30, 1941. He stated that less than 2,000 tons per month were reaching Lanchow, and that there were some 8,000 to 10,000 camels used in the gasoline caravan transport. A camel load was 106 gallons, and the trip took three months.³⁷

Of primary importance to China was the aviation assistance provided by the Soviet Union. Early in 1938, some 400 to 500 Russian planes had been delivered to the Chinese. The Soviets also sent instructors and flying schools were established at Urumchi in Sinkiang and at Chengtu in Szechwan. A major Soviet air base was established near Lanchow in Kansu.³⁸ Almost all of the Russian aircraft and instructors sent to China were more than assistance to China. In fact they were complete squadrons of the Red Air Force wearing civilian clothing.³⁹ The pilot Royal Leonard, working for Chiang Kai-shek at the time reported that approximately 700 pursuits and light bombers were used by the Russians in China, with the number

³⁵FRUS, 1938, III. 164-165.

³⁶Dallin, Soviet Russia and the Far East, pp. 75-76.

³⁷FRUS, 1941, V. 498.

³⁸Dallin, Soviet Russia and the Far East, p. 72.

³⁹Young, China and the Helping Hand, p. 54.

of pilots and ground crew being near 2,000 men.⁴⁰ A retired American Army pilot working for China, Claire L. Chennault, the Russians and Chinese aviators worked up a trap for the Japanese airforce near Hankow on April 29, 1938. This proved to be the "largest aerial battle in history prior to World War II" and was a big victory for China, but as the war continued the Chinese air force was devastated by continued combat and scant reinforcements.⁴¹

Russian assistance was not limited to aviation alone. Schools were established, and Soviet instructors gave training on Russian weapons, equipment, and even tactics. Also Russian officers were assigned to almost all of the Chinese armies to give strategic and technical assistance.⁴² Enough Russian equipment was delivered to China from 1938 until 1940 to equip ten Chinese divisions.⁴³ United States Ambassador to the Soviet Union, Steinhardt, reported on the value of Soviet assistance in the following message to Secretary Hull on September 22, 1939:

Soviet assistance to China in equipment, material, nurses, supplies since the beginning of the Japanese-Chinese conflict has in quantity been more than that obtained from all other countries together and has been largely financed by long-term credits at low rates extended by the Soviet Union to China. Last June a credit of nearly 200,000,000 dollars was granted

⁴⁰Royal Leonard, I Flew for China. (Garden City, New York: Doubleday, Doran and Company, Inc., 1942), p. 151.

⁴¹Young, China and the Helping Hand, p. 55.

⁴²Dallin, Soviet Russia and the Far East, p. 72.

⁴³Young, China and the Helping Hand, p. 126.

which brought the total of Soviet credits since the beginning of the conflict to 500,000,000 dollars. Approximately 1,000 aircraft consisting of SB bombers and pursuit planes have been delivered by the Soviet Union to China together with large quantities of arms especially light field pieces and machine guns. Approximately 2,000 Soviet pilots in rotation have been given combat practice with the Chinese air force.⁴⁴

Needless to say Japan was greatly upset with the Soviet assistance to China. Maxim Litvinov, the Soviet representative to the League of Nations, urged assistance for China when the matter was taken up in 1937. When the problem was passed to members of the Nine-Power Treaty, the Soviets accepted an invitation to Brussels and proved to be the strongest supporter of China and urged sanctions against the Japanese. Using Russo-Japanese trade figures as a guide one can see the effect of Moscow's hard line policy against Japan's aggression in China. In 1937 the trade totaled 3,902,000 yen and by the end of 1938 had been reduced to only 380,000 yen.⁴⁵ Tokyo strongly protested the assistance given China, which she considered went way beyond the Sino-Soviet Non-Aggression Treaty.⁴⁶ On April 4, 1938, the Japanese protested the use of Russian planes and pilots in China. Litvinov rejected the Tokyo protest and pointed out that Japan's friends, the Germans, were still in China.⁴⁷ With the signing of the Russo-German

⁴⁴FRUS, 1939, III. 261-263.

⁴⁵Henry Wei, China and Soviet Russia. (Princeton: D. Van Nostrand, 1956), pp. 137-139. (The value of Japanese yen in the years before World War II was approximately 4 yen equals US\$1.00.)

⁴⁶Ibid., p. 139.

⁴⁷Young, China and the Helping Hand, p. 59.

non-aggression pact of August 23, 1939, assistance to China did not cease, and Japan continued to protest to the Soviet Union.⁴⁸

On April 13, 1941, Japan and Russia signed a five-year neutrality treaty. In the treaty both nations gave agreements to respect territory held by the other and both were given at the expense of China. Russia agreed to respect Japan's rights in "Manchukuo" and the Japanese agreed to respect Russian rights in the "Mongolian People's Republic," both of which were claimed by Nationalist China as Chinese territory. Chiang Kai-shek believed that the treaty would mark the end of Russian assistance.⁴⁹ Ambassador Steinhart wired Secretary Hull on March 24, 1941, that he had been visited by the Japanese Minister for Foreign Affairs, Matsuoka, who was on a special visit to Moscow. Matsuoka told Steinhardt that the United States was keeping the Chinese government fighting, and the United States had the power to end the Sino-Japanese war.⁵⁰ Russian aid to China had slowed with the start of fighting in Europe in September, 1939. It slowed even more with the non-aggression treaty with Japan, and with Hitler's attack in the summer of 1941, it ceased.⁵¹ Ambassador Steinhardt reported a conversation with Chinese Ambassador to Russia, Shao Li-tzu, to Secretary Hull on June 24, 1941. Ambassador Shao said that the Soviets assured

⁴⁸Dallin, Soviet Russia and the Far East, pp. 75-76.

⁴⁹Young, China and the Helping Hand, p. 129.

⁵⁰FRUS, JAPAN, 1931-1941, II. 143-145.

⁵¹Immanuel C. Y. Hsu, The Rise of Modern China. (New York: Oxford University Press, 1970), p. 697.

him that war materials already in route would be delivered, but that "he had gained the impression that no further deliveries would be made."⁵² Molotov, the Foreign Commissar of the Soviet Union, announced in a conference at the Kremlin with Ambassador Steinhardt and Harry L. Hopkins on July 31, 1941, that supplies to China had been stopped due to Russia's own needs in her defense against Germany.⁵³ One indirect way in which the Soviet Union had been helping China, and continued to do so even after assistance stopped was by keeping strong military forces in Siberia along the Manchurian border. Japan did not trust the Soviets and was forced to station forces of her own along the frontier. In the years 1937 to 1940, Japan retained some 200,000 to 400,000 troops in Manchuria, and between 1941 to 1945, some 460,000 to 784,000 troops were tied down in Manchuria.⁵⁴

In the years from 1937 until mid-1941, the Soviet Union was the only nation that gave substantial assistance to China. Some \$250,000,000 was pledged by the Russians for military assistance to the Chinese and about one-half of the amount had been used when assistance was halted because of the German attack on the Soviet Union.⁵⁵

The policies of the government of France were very vital and important to the Chinese during the early years of her

⁵²FRUS, 1941, IV. 281-282.

⁵³FRUS, 1941, IV. 1013-1014.

⁵⁴Young, China and the Helping Hand, pp. 56-57.

⁵⁵Dallin, Soviet Russia and the Far East, pp. 72-75.

struggle with Japan. Among the various ways France and French diplomacy affected the Chinese were in the sales of munitions, aircraft, etc., from private industry, possible French credits, and access to the outside world via the French Indochina Railway. During the war years credits were granted by France on three occasions. The first credit was for 400,000,000 francs, announced in September, 1937, for currency protection between the French and Chinese currencies. The other two French credits were for construction of railroad lines extending into China using the French Indochina Railway as a trunk line. The first of these was for 150,000,000 francs in August, 1938, for the construction of the Annan-Chennankwan Railway between French Indochina and Kwangsi. The second loan was for 480,000,000 francs, announced in December, 1939, for the construction of the Hsufu-Kunming Railway between Szechwan and Yunnan.⁵⁶ Both of these railroad construction loans proved to be of little or no value to the Chinese. Long before the construction was completed on the first railroad, Annan-Chennankwan or Nanning railway, the area fell under Japanese occupation.⁵⁷ The second railway construction credit, Hsufu-Kunming, was dropped when Hitler overran Europe a short time after the credit had been granted.⁵⁸

The Chinese had better luck in the purchase of military supplies from French private industry before the war in Europe

⁵⁶Jones and Myers, Documents, III. 245-246.

⁵⁷Young, China and the Helping Hand, p. 50.

⁵⁸Ibid., p. 138.

started in September, 1939. Ambassador Bullitt, in Paris, informed the State Department on August 26, 1937, that China was able to obtain airplanes in France even though almost all munitions and airplanes had been nationalized. In answer to Japanese protest, Bullitt pointed out that the French reported they had no control over private industry.⁵⁹ On November 5, 1937, Ambassador Johnson wired from Nanking that Chinese purchases abroad were being received. He had learned of the following military aircraft purchases—forty-four from France, fifty from Great Britain, and three hundred from Russia.⁶⁰ Ambassador Grew reported from Tokyo on July 11, 1938, that Japan was bitter at French policies. The Japanese protested that France had permitted increased shipments of arms and munitions via Indochina. Japan thought that France was selling military supplies to China that had previously gone to the Spanish Government. Also Japan wondered if French advisors would replace the departing Germans.⁶¹

France was most important to China because of the French Indochina Railway. This government owned railroad ran from the port of Haiphong, via Hanoi, to Laokai at the Chinese border. From Laokai to Kunming there was a narrow meter-gage railway through very rugged country, with many bridges, and extremely steep grades.⁶² Within a short time after the fighting started,

⁵⁹FRUS, 1937, III. 475-478.

⁶⁰FRUS, 1937, III. 659.

⁶¹FRUS, 1938, III. 218-220.

⁶²Young, China and the Helping Hand, p. 50.

Canton and the French Indochina Railway were the only important entries into China, and after the fall of Canton to the Japanese in October, 1938, the importance of the French Indochina Railway was beyond description.

The railway was never completely open to Chinese shipments as Japanese pressure forced numerous regulations to be imposed by the French authorities. Early in 1937, Japan threatened to bomb the line if war materials continued to move into China. Due to the disturbed situation in Europe, France bowed to Japanese pressure and regulations forbidding certain items to be transported were issued. However, French officials in Indochina took a very liberal view of these regulations and continued to let items disguised or mixed with non-military items pass. Also, to be as lenient as possible, anything that could possibly be used in a non-military manner, such as trucks, aircraft, aircraft parts, gasoline, etc., was allowed to pass.⁶³

Japanese pressure continued on the French authorities to further limit the flow of supplies into China. In November, 1938, the French were able to ease the pressure somewhat by delaying shipments of iron ore, copper, and coal from Indochina to Japan.⁶⁴ Early in 1939, Japan applied even more pressure as she seized Hainan Island just off the Indochina coast. Since early in 1938 there had been an understanding that if France would check and limit munitions shipped via the railway, Japan would not seize Hainan. After this Japanese move the French became

⁶³Ibid., pp. 50-51.

⁶⁴Clifford, Retreat from China, p. 101.

even more liberal in their inspections.⁶⁵ With the fall of France in June, 1940, Japan took a long look at Southeast Asia. In Europe, France and the Netherlands were under German occupation, and Great Britain was facing Germany and Italy; therefore, Southeast Asia looked more inviting to Japan than did the Chinese interior.⁶⁶ Also with such a move into Southeast Asia the supply of goods going to China could be cut even more. France under great pressure from both Germany and Japan finally broke over. Governor General Catroux of Indochina suspended the movement of all munitions and war materiel to China and admitted Japanese observers into Indochina.⁶⁷ Japan, not satisfied with this arrangement, gave France an ultimatum, that by September 22, 1940, let her garrison and have the use of three air bases in Indochina and station troops at the port of Haiphong. Although the French authorities yielded to these demands, the Japanese Canton Army invaded Indochina at Dongland and Langson, and bombed Haiphong in September, 1940. "A few days later Japan joined the German-Italian Axis."⁶⁸

Great Britain, for almost the same reasons as France, was important to China in her war against Japanese aggression. Great Britain was important for the sale of war materials, credits or loans from the British government, and her control of vital strategic locations of entry into China. Also, Great Britain had a long history of involvement in China and was

⁶⁵Young, China and the Helping Hand, p. 108.

⁶⁶Clifford, Retreat from China, p. 140.

⁶⁵Feis, The Road to Pearl Harbor, p. 66.

⁶⁶Young, China and the Helping Hand, p. 109.

the largest foreign investor in that country. It is estimated that in 1931 the British had £197,961,800 invested in China. Of this amount £130,000,000 was invested in Shanghai, £35,000,000 in Hong Kong, and £30,000,000 in the rest of the country. This investment was divided as follows: 25 percent in export/import trading, 14 percent in transport, 18 percent in manufacturing, 12 percent in banking and finance, 12 percent in real estate, 5 percent in public utilities, 2 percent in mining, and 3 percent in other activities. In addition to this there were £46,400,000 invested in Chinese government obligations. By 1937 the direct investment in China had grown to £250,000,000 of which £200,000,000 was in business investments and £50,000,000 in Chinese government obligations.⁶⁹

With the start of the Sino-Japanese conflict, Britain looked toward the United States and France for a joint policy to use in confrontation of Japan. This policy was not forthcoming since the French felt that they were doing all they possibly could by permitting munitions shipments on the French Indochina Railway, while the United States was in the midst of isolationism.⁷⁰ The British Foreign Office brought up joint Anglo-American mediation three times in July, 1937, but it was rejected or ignored by Washington.⁷¹ Because of the American and French policies, Great Britain refused to take

⁶⁹Clifford, Retreat from China, p. 15.

⁷⁰Ibid., p. 28.

⁷¹Borg, The U.S. and the Far Eastern Crisis, pp. 286-287, 293, 397.

a hard line against Japan at the League or at Brussels. When Wellington Koo proposed to ask if Japan's actions had not been a violation at the League, Great Britain advised that he change his plea because if Japan declared war it might force the American Neutrality Law into effect.⁷²

The Sino-Japanese conflict also caught Great Britain at a bad time as far as munitions sale to China was concerned. In 1937, Britain was in her own rearmament program, and there was the general feeling that arm sales would make matters worse by angering Japan. It was believed that arms could not be produced and transported to China in sufficient quantities to help.⁷³ However, the British by way of their carrying trade and American munitions sales to Great Britain did aid China. Munitions in American were sold to British buyers, shipped across the Atlantic, then moved by British bottoms to Hong Kong. In the months of October through December, 1937, the State Department granted licenses for over \$2,500,000 in munitions that reached China via this route.⁷⁴

Two methods of British assistance were in credits for currency support and in credits for direct purchases in the sterling bloc. Great Britain did more than any other nation in support of China's currency in the early war years. Perhaps because of the British subjects serving in financial positions in the Chinese custom services and financial

⁷²Clifford, Retreat from China, p. 36.

⁷³Ibid., p. 81.

⁷⁴Divine, The Illusion of Neutrality, p. 209.

institutions, Great Britain was able to better understand the need for currency protection. Perhaps, too, because of her position in Chinese trade and commerce, a sound Chinese currency was vital to her position. The first British credit for currency stabilization was £5,000,000 announced in March, 1939.⁷⁵ This was followed by another credit of £5,000,000 in April, 1941, following a United States credit of \$50,000,000 for currency stabilization.⁷⁶ Also concerned with currency stabilization, Great Britain and the United States gave what assistance possible in China's "currency war" with Japan in north China from 1938-1940.⁷⁷ Great Britain did what she could to save Chinese customs collected in Japanese occupied China by working out a plan with the Japanese for deposit in the Yokohama Specie Bank and application to foreign commitments.⁷⁸

China had requested large loans from Great Britain, France, and the United States in 1937 after the failure of the League meeting and the Brussels Conference. Great Britain, like the two other nations gave little consideration to the request. China again made request for a credit in 1938 for purchases and for the construction of a railway from Chengtu to the Burma border. This request was denied, as Britain feared that serious discussions between the British Ambassador

⁷⁵Jones and Myers, Documents, I. 271.

⁷⁶Young, China and the Helping Hand, p. 440.

⁷⁷Clifford, Retreat from China, pp. 102-105.

⁷⁸Ibid., pp. 57-62.

and the Japanese Foreign Office in Tokyo would be damaged.⁷⁹ By and large British credits usually followed loans by the United States. After an American credit of \$25,000,000 in February, 1938, Britain followed with credits of £5,500,000 in March, 1938, and after the United States \$50,000,000 credit in April, 1941, Great Britain followed with a £5,000,000 credit.⁸⁰ After this April credit, Britain was unable to give much financial assistance and her attitude changed to one of believing that China could not make the necessary reforms nor correct a poor financial situation, and therefore, American and British credits would have "no lasting results."⁸¹ Altogether Great Britain extended purchase credits of £8,359,000 to China during the period from 1937 through 1941.⁸²

Hong Kong, like French Indochina, was of greatest importance to China. By September, 1937, Japan had announced the closing of all Chinese ports except Tsingtao.⁸³ On November 4, 1937, Ambassador Bingham in London, wired Secretary Hull that Hong Kong was the only port through which arms could be shipped to China. He pointed out that Tsingtao was open but at Japanese mercy and that the Portuguese had closed Macao.⁸⁴ On June 15,

⁷⁹Ibid., p. 82.

⁸⁰Young, China and the Helping Hand, p. 400.

⁸¹Sir Llewellyn Woodward, British Foreign Policy in the Second World War. (London: Her Majesty's Stationery Office, 1962), p. 419.

⁸²Young, China and the Helping Hand, p. 138.

⁸³Clifford, Retreat from China, p. 47.

⁸⁴FRUS, 1937, III. 658.

1938, seventy-five percent of all military supplies to China were going through Hong Kong.⁸⁵ After October, 1938, and the fall of Canton, Hong Kong ceased to be as important but continued to be the main entry by air to China until Pearl Harbor.⁸⁶ The other British-controlled entry to China was through Burma. The Chinese realized the vulnerability of both Canton and the French Indochina Railway early in the war and began to look for another route for development. A logical site was the old trade route between Kunming in Yunnan Province to Lashio in northeastern Burma. This route was approximately 715 miles in length, and of this distance about 115 miles was inside British Burma. Before the war started, approximately 265 miles from Kunming to Hsiakwan had been constructed. Construction was carried on by conscripted labor from Yunnan Province using primitive methods. Thousands of men, women, and children worked the road using hand tools and moving earth and stone by baskets.⁸⁷ From Lashio, Burma, there was a rail line to the Burma port of Rangoon. The railroad was constructed over rugged terrain. In the Gokleik gorge, between Mandalay and Lashio the railroad climbed 3,000 feet in twenty-seven miles. The grade was so steep that the trains had to be divided into sections and hauled by special hill-climbing locomotives.⁸⁸

⁸⁵FRUS, 1938, III. 601-602.

⁸⁶Young, China and the Helping Hand, pp. 52-53.

⁸⁷Ibid., pp. 51-52.

⁸⁸Romanus and Sunderland, Stilwell's Mission to China, pp. 46-57.

The Burma road was opened by the British to traffic in December, 1938,⁸⁹ and by early 1939, the Chinese Southwest Transportation Company was operating 600 trucks on the road not counting private trucks involved in non-military traffic.⁹⁰

Japan pressured the British as they had the French over the supply of goods coming into China. Japan was able to end the effectiveness of Hong Kong, except as an air terminal, by the occupation of Canton in October, 1938, and after her move into Indochina only the entry via Burma was open to the sea. In the summer of 1940, with Britain facing Germany and Italy alone, Japan forced a temporary closing of the Burma road. It should be pointed out that this pressure was coupled with Dunkirk, the fall of France, the battle of Britain, and was before President Roosevelt's destroyer-base deal and Lend-Lease.⁹¹ The feeling in Britain was that another challenge could not be confronted at the time.⁹² Therefore, on July 18, 1940, Prime Minister Churchill announced to the House of Commons, that Great Britain had agreed to the suspension of shipments of arms, ammunition, petrol, lorries, and railway material along the Burma Road for three months. Churchill pointed out that it was his desire to help China, but they were involved in a war

⁸⁹Clifford, Retreat from China, p. 101.

⁹⁰Young, China and the Helping Hand, p. 110.

⁹¹Clifford, Retreat from China, p. 145.

⁹²Arthur Bryant, The Turn of the Tide: A History of the War Years Based on the Diaries of Field-Marshal Lord Alanbrooke, Chief of the Imperial General Staff. (New York: Doubleday and Company, 1957), p. 92.

in Europe, and he hoped the three months would be used to find a peaceful settlement.⁹³

Secretary Hull said in his Memoirs that the road was closed due to Japanese pressure for three months, and during that time efforts were devoted to reaching a settlement of the war.⁹⁴ Prime Minister Churchill told the House of Commons on October 8, 1940, that the closing of the road had not helped in the search for a peaceful solution because Japan continued her aggression in China. He announced that the road would be reopened on October 17, 1940.⁹⁵ The British leader pointed out that the three months occurred during the rainy season when the road would have been used the least and that Japan had wanted the three-month limit to be secret but Great Britain had refused.⁹⁶ The United States protested the British decision to close the road. In a State Department press release of July 16, 1940, the road closing was said to "constitute unwarranted interpositions of obstacles to world trade."⁹⁷ Secretary Hull protested and said that the United States had a "legitimate interest in the keeping open of arteries of commerce in every part of the world."⁹⁸

⁹³Jones and Myers, Documents, III. 271-272.

⁹⁴Cordell Hull, Memoirs of Cordell Hull. (New York: The Macmillan Company, 1968), I. 900.

⁹⁵Jones and Myers, Documents, III. 273.

⁹⁶Woodward, British Foreign Policy in World War II, p. 167.

⁹⁷FRUS, JAPAN, 1931-1941, II. 101.

⁹⁸Dept. of State, Peace and War, p. 91.

When the three months had expired on October 17, 1940, the Burma Road was reopened for shipments to China. Perhaps because Britain had won the "Battle for Britain" and the danger of a German invasion had passed, she felt that renewed Japanese pressure could be better handled. Secretary Hull points out that:

[Britain] ... had seen that Japan was not using the period of three months during which the Burma Road was closed to negotiate peace with China, but on the contrary was aiming more directly at the heart of China by sending troops through French Indo-China. Britain's and France's attitude had not appeased Japan but had rendered her yet more demanding.⁹⁹

As has been pointed out, the large countries of Europe played a very definite role in the Sino-Japanese conflict. Germany was the major provider of military missions and supplies until world politics and her Japanese ally's pleas caused a change in her foreign policy. Russia came immediately to the aid of China. Perhaps her move was spurred on because of her fear of Japanese aggression into Siberia, however, for whatever reasons, Russian assistance proved to be the life blood of China for some three years. Britain and France were important because of their control of access to and from China. Both countries gave credits and sold military supplies to the Chinese. Other nations of Europe contributed to China's defensive efforts. In 1937 a \$10,000,000 credit was extended by Czechoslovakia for general purchases and in March, 1939, a £20,000,000 purchase credit was extended by Belgium.¹⁰⁰ It is

⁹⁹Hull, Memoirs, I. 911.

¹⁰⁰Jones and Myers, Documents, III. 245-246.

interesting to note that surveys ranking the suppliers of munitions to China made by the United States government showed the following. The major suppliers ranked in order as of March 12, 1938 - Germany, Russia, Italy, France, Belgium, Denmark, Czechoslovakia, the United States, and Sweden;¹⁰¹ as of April 20, 1938 - Germany or Russia, Italy or France, Belgium, Great Britain, Czechoslovakia, the United States, Sweden, and Denmark;¹⁰² and as of June 15, 1938 - Germany, Russia, Italy, England, France, the United States, Belgium, Sweden, Austria, Switzerland, and Denmark.¹⁰³

¹⁰¹FRUS, 1938, III. 591-593.

¹⁰²FRUS, 1938, III. 595-598.

¹⁰³FRUS, 1938, III. 601-602.

Chaper IV

THE UNITED STATES AND CHINA:

BRUSSELS TO LEND-LEASE

Although the United States failed to provide leadership at the League of Nations meeting and at the Nine-Powers' Conference in Brussels which followed, and turned a deaf ear to China's pleas for credits, some assistance was forthcoming to the Chinese via the established American silver purchase policy.

The American silver purchase policy had its beginning in an act of Congress dated June 19, 1934. The hopes of the framers of this legislation was to raise the price of silver, therefore re-opening many western silver mines which would aid in overcoming the great economic depression of the times. With this domestic situation in mind, this bill was enacted but little regard was given to its possible foreign effect. Almost immediately this legislation affected the

Chinese economy. China was on a silver standard and this increased price paid for silver by the United States government, and to a lesser degree by the gradual recovery of global economy, caused large amounts of the precious metal to find its way to the United States. The Chinese government attempted to end this flow of silver by formal protest to the American government and then by placing an export tax on silver. These methods failed and the flow continued with much of the silver being smuggled out of China and depression set in. A more tangible result of this incident was China being forced off the silver standard and on a managed paper currency economy in late 1935, at which time silver was nationalized.¹

In May of 1936, the Chinese government reached accords with the United States Department of Treasury so that Chinese silver would be used to purchase American gold to help solve China's economic difficulties.² Prior to July, 1937, the United States Treasury had purchased some \$67,000,000 worth of silver from China and a further credit of \$20,000,000 had been authorized on some 60,000,000 ounces of silver being held in the United States. Even with these great American purchases of Chinese silver, silver remained as forty-four percent of China's monetary reserve in June, 1937.³ Even on the eve of the Sino-Japanese war, the Chinese Minister of Finance, H. H. Kung, was in Washington arranging the sale of

¹Hull, Memoirs, I. 446.

²Ibid.

³Young, China and the Helping Hand, pp. 30-31.

more Chinese silver.⁴ On July 8, 1937, Secretary Morgenthau and Minister Kung reached agreement that some 62,000,000 ounces of silver would be purchased by the United States government at \$.45 per ounce. This agreement was reached before news of the recent Marco Polo Bridge incident was known. Also, on July 8, 1937, an agreement was reached by the Federal Reserve Board of New York to grant a credit of up to \$50,000,000 to be available December 31, 1937, against gold deposited by China.⁵

This program of silver purchases proved itself to be of great importance in providing needed credits to the Chinese government as the Sino-Japanese conflict settled into full scale warfare. The London X-Ray of August 30, 1937, appraised the United States silver purchase in the following manner: "Giving China a good price for her silver is one of the few ways in which the Washington Administration can favour China without getting into trouble with (a) Japan, (b) Congress, and (c) the Supreme Court."⁶

The American silver purchase program did not end as the warfare continued and intensified since the purchases continued whenever China had silver to sell. Secretary Morgenthau agreed to purchase another 50,000,000 ounces in November, 1937, at the \$.45 per ounce rate, and on December 2, 1937, another

⁴John Morton Blum, From the Morgenthau Diaries. (Boston: Houghton Mifflin Company, 1959), I. 479-480.

⁵Young, China and the Helping Hand, p. 31.

⁶Ibid., p. 32.

50,000,000 ounces at \$.45 per ounce was purchased on the basis of 10,000,000 ounces on semi-monthly installments from December 15, 1937, to February 15, 1938. This was followed in February, 1938, by an additional 50,000,000 ounces to be purchased in five semi-monthly lots. The price paid for the silver was reduced on this purchase from the usual \$.45 per ounce to \$.43 per ounce due to a controversy with Mexico, one of the world's major silver producers.⁷

On April 12, 1938, a United Press dispatch announced that the United States Treasury had purchased Chinese silver worth over \$50,000,000 since the outbreak of the Sino-Japanese war.⁸ At the end of April, China asked the Treasury Department to purchase an additional 100,000,000 ounces of silver. Secretary Morgenthau agreed to another 50,000,000 purchase in five semi-monthly installments of ten million ounces each, and in July, 1938, agreed to the other 50,000,000 ounces on the same basis. Therefore, from July, 1937, to July, 1938, the first year of the Sino-Japanese war, the United States purchased 312,000,000 ounces of Chinese silver for a total price of \$138,000,000.⁹

China's reserve of silver, which could be turned into credit through the American silver purchase policy, was almost entirely gone at the end of the first year of warfare. In September, 1938, the Shanghai banker, K. P. Chen, and the

⁷Ibid., pp. 32-33, 61.

⁸Ibid., p. 61.

⁹Ibid.

manager of the Chinese Central Bank's Banking Department, Hsi Te-mou, came to Washington seeking additional economic assistance. They desired to sell all of China's remaining silver reserve, some 85,000,000 ounces. Of this amount, some 9,000,000 ounces were in Hong Kong, and the balance of 76,000,000 ounces were in London. The United States Treasury was hesitant to make this purchase as 65,000,000 ounces of the silver in London was being held to cover credits made by European bankers. But after China was able to pay these European commitments with other funds, the entire lot of silver was purchased by the Treasury. Later in 1938, some 18,500,000 ounces were collected in the interior of China and sold to the United States. This was followed by a final purchase of 6,000,000 ounces in 1940-41. So in all the United States Treasury purchased some 188,000,000 ounces of silver worth \$94,000,000 up to July 8, 1937, and after that continued the program with purchases of 362,000,000 ounces valued at \$157,000,000 through 1941.¹⁰

The American silver purchase policy, after its initial damaging effect, became a policy of assistance to the Chinese national economy. The purpose of the policy as announced in a public statement by the Secretary of Treasury on May 18, 1936, was to aid in monetary reform and to provide currency stabilization.¹¹ By 1938, the Treasury Department agreed that the credits gained through this sale of silver could be used

¹⁰Ibid., p. 62.

¹¹Jones and Myers, Documents, I. 269-270.

to purchase military supplies.¹² Also the Treasury ceased to demand that the Chinese government maintain a twenty-five per cent reserve of silver to back notes issued and to continue the issuance of silver coins.¹³

With the heavy flow of silver moving from China to the United States in official sales to obtain foreign credits, it became quite evident to Secretary of Treasury Morgenthau and others of the United States and Chinese governments that this program could not continue long.¹⁴ The Chinese were initiating a large number of requests for assistance, but almost all were denied as the United States wished to avoid a confrontation or possible hostilities with Japan. Even before the Marco Polo Bridge incident, the Chinese had replaced their Ambassador to the United States, Alfred Sze, with C. T. Wang in the hopes that he would be more successful in obtaining American financial and material assistance. Later, Ambassador Wang was also replaced when the "distinguished scholar" Hu Shih arrived in Washington as the new Chinese Ambassador.¹⁵

The mood of American government officials was one of sympathy and desire to help China in her desperate situation, but the question was how to help and at the same time to remain free from the Asian embroilment. Secretary Morgenthau believed

¹²Blum, From the Morgenthau Diaries, I. 508.

¹³Young, China and the Helping Hand, p. 61.

¹⁴Blum, From the Morgenthau Diaries, II. 58-64.

¹⁵Young, China and the Helping Hand, p. 73.

the American neutrality laws gave an undue advantage to Japan,¹⁶ and he worked to assist China through the silver purchase program and suggested various types of loans. Secretary Hull explains in his Memoirs that Generalissimo Chiang Kai-shek wrote him a personal letter, which he received on January 3, 1938, asking for American assistance. He states that President Roosevelt was sympathetic, but they were unable to do much at that time; therefore, he answered Chiang's letter that no promise of direct aid could be made, and they were doing all possible to bring about peace.¹⁷

At first numerous ideas for assistance to China were discussed and formulated by officials of the United States government which never materialized because of lack of support or their impracticability. One such plan was devised by Secretaries Morgenthau and Wallace to arrange a loan for China to purchase flour and cotton goods from the United States. Secretary Morgenthau presented this idea to Chinese Ambassador Wellington Koo in Paris on July 26, 1938, suggesting that he send K. P. Chen to Washington to look into this matter.¹⁸ Ambassador Bullitt in Paris wrote President Roosevelt on August 8, 1938, in support of such a plan.¹⁹ The Chinese followed up on this plan by having their Ambassador in Washington call upon Secretary Hull and request that the United

¹⁶Blum, From the Morgenthau Diaries, I. 481.

¹⁷Hull, Memoirs, I. 566-567.

¹⁸Young, China and the Helping Hand, p. 76.

¹⁹FRUS, 1938, III. 544-545.

States \$50,000,000 Cotton and Wheat Loan of 1933 be reinstated.²⁰ After this the matter drops from sight, although some \$32,000,000 of the credit had been unused, and there is doubt that China could have gained from such an idea at that time.²¹ Other plans that were discussed ranged from Colonel Joseph W. Stilwell's (the American military attache in China) recommendation for credits to China to purchase American military equipment to ideas of American loans through such agencies as the Export-Import Bank.²²

As 1938 continued, many members of the State Department and the Foreign Service favored assistance to China or for a stronger position against Japanese advances in Asia. Even after the Panay crisis, Secretary Hull refused to support such views and his position mirrored that of an isolationist congress and of a general public being pacifist in outlook and opposing foreign involvements.²³

Secretary of Interior Ickes indicated in his diary that in a meeting of the cabinet on Friday, September 30, 1938, "Henry Morgenthau brought up the question of assisting China financially. In this matter, too, the sympathy of every member of the cabinet was clear. We would like to help China if we

²⁰FRUS, 1938, III. 546-547, 553.

²¹Young, China and the Helping Hand, p. 76.

²²Ibid.

²³Ibid., p. 76.

only knew how, of course again without running the risk of our own involvement in war."²⁴

Secretary Morgenthau and others like-minded soon discovered a new method of assisting China by a series of loans made to China through the United States Export-Import Bank. This assistance was, in fact, loans, and not grants since repayment was stipulated to be made in agricultural and mineral products in a given time period. This series of Export-Import Bank loans was made up of credits of \$25,000,000 on December 15, 1938; \$20,000,000 on March 7, 1940; \$25,000,000 on September 25, 1940; and followed by a \$50,000,000 credit announced on November 30, 1940, with an additional \$50,000,000 credit for currency stabilization.²⁵

Generalissimo Chiang Kai-shek sent K. P. Chen, an advisor to the Chinese Finance Ministry, to Washington to request a loan in October, 1938. Upon discussion with Chen, Secretary Morgenthau and President Roosevelt agreed to a loan of \$25,000,000 through the Export-Import Bank. This loan of December, 1938, did have strings attached—namely that none of the money could be used to purchase arms or munitions, but it could be used for other desperately needed items such as transportation equipment. Also, this loan was to be repaid in shipments of tung oil, a product needed in America's paint

²⁴Harold L. Ickes, The Secret Diary of Harold L. Ickes. (New York: Simon and Schuster, 1954), II. 481.

²⁵Stanley K. Hornbeck, The United States and the Far East: Certain Fundamentals of Policy. (Boston: World Peace Foundation, 1942), p. 47.

industry. When these funds were exhausted, another loan from the Export-Import Bank of \$20,000,000 was granted on March 7, 1940, with the same conditions on purchasing and the same method of repayment.²⁶

It should be pointed out that Secretary Morgenthau only agreed to the Export-Import loan plan after he had obtained assurances from Chairman Jesse Jones of the Reconstruction Finance Corporation of the legality of loans from the Export-Import Bank, and after assurances from Chiang Kai-shek that China would continue in her resistance to Japanese aggression. Secretary Hull was in opposition to the loan plan, and it was during his attending the Pan-American Conference in Lima, Peru that President Roosevelt decided to approve the loan.²⁷ The first loan was formally extended in an agreement between the Export-Import Bank and the Universal Trading Corporation, a company formed by the Chinese government in the United States to handle foreign credits. As mentioned above the loan was to be repaid in tung oil and there was an interest charged of four and one-half percent. In addition the loan was unconditionally guaranteed by the Bank of China. Also, there was a requirement that an equal amount of money, \$25,000,000, be spent in the United States above the loan. The second loan, formally signed on April 20, 1940, had much the same conditions,

²⁶Edward R. Stettinius, Jr., Lend-Lease, Weapon for Victory. (New York: The Macmillan and Company, Ltd., 1944), pp. 15-17.

²⁷Young, China and the Helping Hand, p. 82.

but the interest was lowered to four percent and the required spending of a matching amount was dropped.²⁸

The third and fourth American loans were granted through the Export-Import Bank in October and December of 1940. The loan formalized in October was announced on September 25, for \$25,000,000 and the December loan of \$50,000,000 on November 30, 1940, as a \$100,000,000 credit to China, one-half to be used for currency stabilization. Chiang Kai-shek in a meeting with Ambassador Nelson Johnson on October 18, 1940, asked that President Roosevelt be informed of the grave crisis which China faced at the time. He thanked the American government and people for their assistance in the past and asked for even more assistance at that time.²⁹ To obtain this desired assistance the Generalissimo had sent his brother-in-law, Dr. T. V. Soong, to Washington for negotiations. Unlike the earlier loans these two of \$75,000,000 had no strings attached forbidding their use to purchase arms or munitions.³⁰ These loans were to be repaid in vitally needed metals, such as tungsten, antimony, and tin for the American armament program.³¹

The announcement of the granting of loans by the Export-Import Bank to China were carefully timed to offset Japanese successes in order to bolster Chinese morale and in an attempt

²⁸Ibid., pp. 83, 133.

²⁹William L. Langer and S. Everett Gleason, The Undeclared War, 1940-1941. (New York: Harper and Brothers, 1953), p. 26.

³⁰Stettinius, Lend-Lease, p. 44.

³¹Jones and Myers, Documents, III. 241-242.

to slow Japan's aggressive policies. The first loan advanced, \$25,000,000 was announced in December, 1938, just after the Chinese defeat in the Hankow and Canton areas. No other loans were forthcoming until the \$20,000,000 announced in March, 1940, as the Japanese were installing their puppet Nanking government of Wang Ching-wei. A third credit of \$25,000,000 was announced in September, 1940, just after the Japanese advance into northern Indochina. The final loan of \$100,000,000, one-half for purchase credit and the other for currency stabilization, was announced on November 30, 1940, as the Japanese government was granting diplomatic recognition to the government of Wang Ching-wei.³² Also, the Japanese move into northern Indochina had completely stopped shipments on the Yunnan-Indochina Railroad and soon thereafter sufficient pressure was placed on Great Britain for a temporary closing of the Burma Road.³³

The Universal Trading Corporation, the Chinese purchasing agent in the United States, very rapidly set about using the funds made available by way of the Export-Import loans under the required terms and regulations of each loan. As stated earlier, the first loan was largely used in the purchase of transportation equipment. Over one-half of the initial \$25,000,000 loan was used in orders for 1,000 trucks from General Motors and Chrysler Corporation, plus gasoline, tires, and spare parts. The balance of this loan was used for road building equipment, electric equipment, and tools needed for

³²Barnett, China - America's Ally, pp. 37-38.

³³Romanus and Sunderland, Stilwell's Mission to China, pp. 8-9.

China's arsenals.³⁴ The second loan, \$20,000,000 in March, 1940, was more liberal in terms of goods that could be purchased, including commercial aircraft and aircraft parts. Although arms and munitions were not available for purchase from this loan, items that were sold, such as the aircraft, motor vehicles, tools, etc., were easily put to military use.³⁵ The last loans, those of October and December of 1940, could be used to purchase implements of warfare.

Of the \$120,000,000 granted in the four Import-Export loans for purchase credits from December, 1938, to November, 1940, the credits were almost entirely repaid by June 30, 1949, by the sale of tung oil, tin, tungsten, wolframite, and antimony, as specified in the individual loans.³⁶ In a letter from the Federal Loan Administrator, Mr. Jesse Jones, to President Roosevelt, dated November 30, 1940, the President was informed that China was up to the required repayment schedule in deliveries of tung oil and tin.³⁷ On September 17,

³⁴Stettinius, Lend-Lease, p. 17. A good contemporary account describes the Universal Trading Corporation as "located on Fifth Avenue, owned by Chiang Kai-shek, headed by a Scot, and financed by Jesse Jones. Its Chinese-American staff swap tung oil and tin for trucks." "Universal Trading Corp," Fortune, XXII (December, 1940), p. 105.

³⁵Young, China and the Helping Hand, p. 83.

³⁶United States Department of State, United States Relations with China: With Special Reference to the Period 1944-1949. (Washington: U.S. Government Printing Office, 1949), p. 32.

³⁷Jones and Myers, Documents, III. 242.

1941, Chinese Ambassador Hu Shih informed Herbert Feis, the State Department advisor on International Economic Affairs, that Chinese shipments of tungsten for that year's loans repayments had been fulfilled.³⁸ By November, 1941, China had repaid some \$14,000,000 on her loan debts, which was well ahead of the stated contracts.³⁹

The United States became deeply interested and involved in China's problem of currency stabilization by November of 1940, when she advanced \$50,000,000 to China for the purpose of currency stabilization.⁴⁰ Along with the United States loan, Great Britain announced a £5,000,000 loan for the same purpose and Chinese banks put up some \$20,000,000 for currency stabilization. These funds were administered by the Currency Stabilization Board of China which consisted of five members, three Chinese, one American, and one English member. The aims of the stabilization loans were to "stabilize foreign exchange value of Chinese dollars in the Shanghai market and indirectly arrest inflationary prices in Free China."⁴¹ The American economic advisor, Mr. Arthur N. Young, to Chiang Kai-shek states that the purpose of the loan was to "counter Japanese aggression in their recognition of puppet central China."⁴²

³⁸FRUS, 1941, IV. 726-727.

³⁹Barnett, China - America's Ally, p. 37.

⁴⁰Hull, Memoirs, I. 914-915.

⁴¹Barnett, China - America's Ally, pp. 38-39.

⁴²Young, China and the Helping Hand, pp. 136-137.

In the period between the Marco Polo Bridge incident on July 7, 1937 and the end of 1940, the United States' Asian policy made great changes as they became openly pro-Chinese with assistance forthcoming and increasing with the passage of time and events. At first her policy was to remain neutral and uninvolved in the conflict if at all possible. This is evident in a Chinese attempt to purchase surplus Lee-Enfield rifles from the United States War Department, via a British company, through the H. Tanscher Arms Corporation of New York City in September, 1937. The War Department requested advice and permission from the State Department for the sale. The State Department refused to approve the deal stating that it would be contrary to the neutrality regulations.⁴³

Later in the summer of 1938, Secretary Hull took a slightly firmer line against Japan and showed sympathy for China when he established his "moral embargo" by asking American manufacturers of airplanes to refrain from sales to aggressive nations which used these weapons on civilian populations.⁴⁴ Even after this move, Secretary Hull tried not to antagonize the Japanese and with the approval of the \$20,000,000 Export-Import credit to China in March, 1940, he informed Ambassador Grew in Tokyo, for relay to the Japanese government, that this credit could not be used for arms, munitions, or other implements of

⁴³FRUS, 1937, IV. 546-547.

⁴⁴Stettinius, Lend-Lease, p. 16.

war, and the United States was to be repaid for the loan in shipments of tin and other ores.⁴⁵

In June, 1940, with Dr. T. V. Soong in the United States seeking additional assistance, a Chinese-Russian-American triangular plan of assistance was discussed and planned. Under this plan the United States would purchase such materials as manganese, chromite, mercury, mica, etc., from the Soviet Union paying in advance. The Soviets would use these funds to provide war materials to the Chinese, which would be illegal for the United States to do because of the neutrality legislation. This plan ended in failure due to State Department disagreement and then the Soviet Union had second thoughts fearing possible Japanese reaction.⁴⁶ By the time of Dr. Soong's visit in June, 1940, two factors seemed clear, "United States sympathy lay with China's cause and American planners see very possible war with Japan in the future."⁴⁷ If this were to prove correct, then China's manpower and geographic position would be of great importance to the United States' national defense. Even with this general feeling among high government officials there was the fear that solid steps at that time would make the Japanese-German Alliance even stronger and in turn damage the position of Great Britain.⁴⁸ This feeling is reflected in the denial

⁴⁵FRUS, 1940, III. 647.

⁴⁶Young, China and the Helping Hand, pp. 133-135.

⁴⁷Romanus and Sunderland, Stilwell's Mission to China, p. 8.

⁴⁸Ibid.

of a Chinese request to purchase 540 to 720 surplus World War I 75mm field guns from the United States Army.⁴⁹

By September, 1940, the fears of a firmer Axis Alliance became fulfilled with the announcement of the Three-Power Pact.⁵⁰ The day before this alliance was to be announced, on September 26, 1940, the administration announced the \$25,000,000 credit to China. Also on the day of the pact's announcement, Secretary Hull announced that effective October 16, 1940, licenses would be required for the export of iron and steel scrap. This action constituted an embargo on scrap against Japan.⁵¹

On October 23, 1940, Ambassador Johnson in Chungking cabled Secretary Hull about more assistance for the Chinese, stating that China had been in war for three years and was economically and militarily exhausted and that he believed aid should be forthcoming.⁵² Secretary Ickes reported the feelings of top government officials in this passage from his diary of a cabinet meeting, "We discussed the possibility of lending more money to China. It is recognized that the longer and the more effectively China can resist Japanese aggression, the better it will be for us in the Far East."⁵³

⁴⁹FRUS, 1940, III. 659-660.

⁵⁰Bisson, America's Far Eastern Policy, pp. 111-112.

⁵¹Hull, Memoirs, I. 907.

⁵²FRUS, 1940, III. 678-679.

⁵³Ickes, Secret Diary, III. 340.

In November, 1940, Chiang Kai-shek was seeking a concrete offer of a large military credit and promised if it were granted the United States and Great Britain would have freedom to use Chinese ports and airfields if they became involved in war with Japan.⁵⁴ President Roosevelt largely presented the feelings of his administration in a statement of November 11, 1940, in which he branded the "'new orders' as 'counterfeit' and said that China is receiving increasing aid which the arsenal of democracy is supplying to those countries which resist the aggressors."⁵⁵

⁵⁴Langer and Gleason, The Undeclared War, p. 298.

⁵⁵Jones and Myers, Documents, III. 240.

Chapter V
LEND-LEASE
AND
THE AMERICAN VOLUNTEER GROUP

The seriousness of the United States' feeling to assist China in her struggle against Japanese aggression came to the forefront in late 1940 and early 1941. In December, 1940, the American government faced up to the fact that Great Britain, China, and other nations at war against the Axis powers were unable to obtain enough arms from this country to continue fighting unless there was a change in policy from the cash and carry provisions. The steps that had been taken, with loans to the Chinese, sales of surplus World War I armaments to Britain, the selling of arms and munitions on a cash and carry basis, and others had not proved to be enough-- something much greater was needed. In the light of this feeling

President Roosevelt proposed his Lend-Lease idea to the nation in a press conference on December 17, 1940.¹

In November, 1940, Ambassador Johnson in China informed Secretary Hull that China's source of assistance from the Soviet Union was drying up.² Following this, President Roosevelt, in his radio address of December 29, 1940, presented to the public the idea that the United States was and must be "the great arsenal of democracy" and on January 6, 1941, stated that the United States was committed "to full support of all those resolute peoples, everywhere, who are resisting aggression and are thereby keeping war away from our hemisphere."³ Taking action on these comments President Roosevelt dispatched Dr. Lauchlin Currie, a principal economic advisor of the President, to China to survey the needs of that nation and to prepare recommendations for a greater United States assistance program.⁴

The United States Congress debated the issues involved in the Lend-Lease proposal and on March 11, 1941, passed this piece of extraordinary legislation. This legislation meant that the United States government "placed its resources and its industrial capacity at the disposal of foreign nations who served America's interests by helping to accomplish that aim. Great Britain, China, and Greece were the three belligerent

¹Stettinius, Lend-Lease, pp. 3-4.

²FRUS, 1940, III. 686-688.

³Hornbeck, The United States and the Far East, p. 47.

⁴Stettinius, Lend-Lease, p. 109.

nations specifically named in that first bill."⁵ Mr. Edward R. Stettinius, an administration official who was later to be named director of the Lend-Lease program, commented on the program thus: "We would send weapons abroad to help the nations still holding the Axis in check. Meanwhile, here in the United States, we would arm and train a great military force to protect ourselves if we also were attacked."⁶ President Roosevelt signed the Lend-Lease bill on March 15, 1941, four days after the bill's passage,⁷

Dr. Lauchlin Currie returned from his trip to China and filed his report with the President on March 15, 1941. Currie reported that the Chinese faced problems of unity and morale because of the "red" element, a great economic problem because of inflation, high taxes, and the cutting off of almost all outside trade, and a serious problem of an ill-equipped army and air force. Recommendations of American assistance called for export and currency stabilization loans, military assistance, finances for a Burma railroad, and weighing Chinese needs equally with those of Britain, Greece, and our own in assistance programs. Also, Dr. Currie recommended that he be placed "in some capacity to ensure that Chinese needs for material, priorities, etc., are given proper consideration."⁸

⁵Barnett, China--America's Ally, p. 39.

⁶Stettinius, Lend-Lease, p. 4.

⁷Hull, Memoirs, II. 997.

⁸FRUS, 1941, IV. 81-95.

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⁵Barnett, China - America's Ally, p. 39.

⁶Stettinius, Lend-Lease, p. 4.

⁷Hull, Memoirs, II. 997.

⁸FRUS, 1941, IV. 81-95.

In an address to the White House Correspondents' Association on March 15, 1941, the day of Dr. Currie's report, President Roosevelt declared that Generalissimo Chiang Kai-shek and his brave people would get the necessary help and assistance that they had requested and so greatly deserved.⁹ Generalissimo Chiang Kai-shek thanked the President and the American people in the following message of March 18, 1941:

The people of China, whether engaged in fighting the aggressor or toiling in the fields and workshops in the rear in support of the defenders, will be immeasurably heartened by your impressive reaffirmation of the will of the American people to assist them in their struggle for freedom from foreign domination, and in the resumption of their march towards democracy and social justice for all.¹⁰

It was later, on May 6, 1941, that the President declared "the defense of China to be vital to the defense of the United States" but the formal Master Lend-Lease Agreement with China was not signed until June 2, 1942.¹¹

With the passage of Lend-Lease, Dr. T. V. Soong chartered a corporation, China Defense Supplies, Inc., to act as agent for the Chinese government in Lend-Lease transactions. Dr. Soong, himself, became the corporation's president and the staff largely consisted of American businessmen. Presidential assistant Harry Hopkins assigned Dr. Lauchlin Currie, as he had requested, "primary responsibility in developing our

⁹Jones and Myers, Documents, III. 40.

¹⁰Ibid., III. 246.

¹¹U.S. State Dept., U.S. Relations with China, p. 26.

contacts with the Chinese Government in the administration of the Lend-Lease Bill."¹²

At a meeting of the Interdepartmental Committee for Coordination of Foreign and Domestic Military Purchases, attended by General Burns of the War Department, Mr. Lynn R. Edminister, special assistant to Secretary Hull, and Dr. Lauchlin Currie, Dr. Soong presented what would be China's most urgent needs. His list included airplanes, arsenal materiel, ordnance, signal equipment, motor transport, and most importantly cargo transport space aboard American vessels sailing from the American Pacific coast to Rangoon. He stated that foreign vessels by alternate routes caused undue delays.¹³ Three days later, on March 31, 1941, Dr. Soong presented his first formal comprehensive request for assistance under the Lend-Lease provisions. This request consisted of equipment and training in three different areas. The first item was equipment for a modern air force of one thousand aircraft, consisting of three-hundred bombers and seven-hundred pursuit type aircraft. Secondly, he requested modern equipment and weapons to outfit thirty divisions to become the nucleus of a new Chinese army. Thirdly, and probably most important at the time, was a request for communications and transportation equipment. This third item specifically named the following:

¹²United States Department of the Army, United States Army in World War II: Global Logistics and Strategy - 1940-1943. (Washington: U.S. Government Printing Office, 1955), p. 85.

¹³FRUS, 1941, V. 617-619.

An efficient line of communications between China and friendly powers with: (a) a narrow-gauge railway from Yunnan to the Burma Railways, (b) a highway from Sadiya, India, across north Burma to China, (c) trucks, repair shops, and resurfacing for the Burma Road, and (d) transport aircraft to supplement the road and railways.¹⁴

Dr. Soong's proposals for assistance under Lend-Lease almost immediately ran into numerous difficulties, not the least of these being short supply, numerous orders from other countries, and our own rearmament program. Even if all the items had been readily available, the War Department, which processed such orders, found the Soong request lacking many necessary details and specifications to rapidly fill or even consider the requests. Examples of this lack of detail are evident in an order for 30,000 tons of railroad rails with specifications omitted, request for four-ton trucks which would be inoperable on the unimproved roads of China, and request for "some" spare parts with no estimates on items and quantity.¹⁵ Another request that caused disagreement and confusion was an order for 50,000 M-1 Garand semi-automatic rifles. The supply of the weapons was inadequate for the United States military forces at that time, so there was the offer of 50,000 M1917-A (Enfield) .30 caliber rifles. Dr. Soong at first refused the weapons on the grounds that the acceptance would "jeopardize his reputation." Later he accepted the weapons and arranged to have them converted to

¹⁴Romanus and Sunderland, Stilwell's Mission to China, pp. 14-15.

¹⁵Ibid.

semi-automatic weapons by a New York manufacturing firm. The conversion of the weapons proved to be unsatisfactory; then Dr. Soong played with the idea of shipping the 50,000 rifles to China to be converted to 7.92 mm caliber. This plan failed to be carried through and this probably was a good thing because it would have taken enormous amounts of time if it could even have been successfully carried out. Eventually some 30,000 of these weapons were sent to the Chinese forces in India in February, 1942, and used in the China-Burma-India Theater operations.¹⁶

On April 22, 1941, the War Department presented to Dr. Currie a preliminary report on Dr. Soong's China assistance request. Almost all items were reduced in amounts and availability dates scheduled months in the future. With this information about limited supplies and future availability dates, Dr. Soong made a revised request proposal on May 1, 1941.¹⁷ Dr. Currie secured many of the items requested and on May 6, 1941, obtained from President Roosevelt an allocation of \$45, 100,000 for transportation and construction equipment.¹⁸ Items on this first order largely consisted of road building equipment, trucks, petroleum products, railway equipment, and

¹⁶Ibid., p. 27. (The standard Chinese caliber was the 7.92 mm German military rifle caliber, while the United States' standard size was the .30 caliber. This caused great difficulty in obtaining ammunition for the weapons then used by the Chinese military and even more problems later as two different size bore weapons were in use.)

¹⁷Ibid., pp. 15-16.

¹⁸U.S. Dept. of the Army, Global Logistics, p. 85.

arsenal material. Aircraft and the necessary arms and equipment for the thirty division rebuilding program were scheduled for delivery no earlier than mid-1942.¹⁹

Generalissimo Chiang Kai-shek, Dr. T. V. Soong, and the Chinese people did not find the passage of Lend-Lease to be the great store house of assistance they had hoped for and requested so long. Where China's problem in obtaining necessary armament and equipment in the past had been lack of purchase power or credits, she now faced the problem of competing demands for like items from Great Britain, Greece, the Soviet Union after June, 1941, and numerous smaller nations. If this would not be competition enough, the United States was in a great rearmament program of its own.²⁰ Not only would competition for military supplies have been trouble enough for China, but she found herself with less than equal footing with Great Britain and other nations. Where Great Britain played a large role in the planning of Lend-Lease, China's was a very minor role. It has been suggested that China did receive aid because of the British Empire and other European holdings in south Asia. This line of reasoning is that the administration desired to see Japan contained in the China struggle thus not being free for further aggression into southern and Southeast Asia, and with this in mind during the planning for Lend-Lease, Dr. Currie was sent on his fact-finding mission to China.²¹

¹⁹Romanus and Sunderland, Stilwell's Mission to China, pp. 16-17.

²⁰Barnett, China - America's Ally, pp. 40-41.

²¹Romanus and Sunderland, Stilwell's Mission to China, p. 13.

Dr. Currie took his mission to heart and worked toward obtaining the necessary and available assistance for the Chinese. On May 10, 1941, Chiang Kai-shek addressed a farewell dinner for the departing Ambassador Nelson T. Johnson. In his address Chiang asked the friendly nations to support China by granting war material and economic aid. He explained that "expeditionary forces or naval action is not asked of them."²² Responding, on June 2, 1941, Dr. Currie cabled Chiang of United States plans to aid both Great Britain and China "as urgent needs of each calls for"²³

Even with Dr. Currie's assurances and steadfast assistance, "Chiang was literally receiving the run-around in Washington as requests bounced from department to department and from Americans to British and back again,"²⁴ and soon the Chinese discovered that not only was she behind the United States and Great Britain on the waiting list but also in a position behind the Soviet Union.²⁵ At times, because of the drain on the United States low production, after the needs of our own, the British, the Russians were subtracted, "for China was left a minus quantity."²⁶

²²Chiang Kai-shek, The Collected Wartime Messages of Generalissimo Chiang Kai-shek. (New York: The John Day Company, 1946), II. 584-589.

²³FRUS, 1941, V. 641-642.

²⁴James MacGregor Burns, Roosevelt: The Soldier of Freedom. (New York: Harcourt Brace Jovanovich, Inc., 1970), p. 145.

²⁵Ibid., p. 153.

²⁶Robert Sherwood, Roosevelt and Hopkins. (New York: Harper and Brothers, 1948), p. 408.

Studies conducted by the State Department in April, 1941, showed that since 1937, China had received less than \$200,000,000 in loans and credits, and of this amount only approximately \$25,000,000 had been available for arms and munitions. The pro-Chinese members of the State Department were "shocked by the realization of how little had been done."²⁷ One member of the State Department that worked to expose how little had been done for China was Mr. Stanley K. Hornbeck, Advisor on Political Relations to the Secretary of State. In a memorandum on June 12, 1941, to Secretary Hull, Hornbeck specifically pointed to the small degree of assistance given to China. Pointed out was the fact that in 1940 Great Britain received thirteen times as many goods as did China, and in the months January-March, 1941, Great Britain received fourteen times the amounts shipped to China. Of the \$4,000,000,000 allocated under the Lend-Lease Act, through June 12, 1941, only \$45,100,000 had been allocated to China, some ratio of 98 to 100 units for other countries, mostly the British, for each one unit to China.²⁸ Dr. Soong's understanding and feelings of China's inability to obtain rapid delivery of war materials under the Lend-Lease provisions is demonstrated in a letter from Dr. Soong to Colonel William J. Donovan. Soong criticized the American sale of petroleum products to the Japanese, and the delivery of aircraft to the Soviet Union while they are "unavailable" to the Chinese. Soong went

²⁷Langer and Gleason, The Undeclared War, p. 490.

²⁸FRUS, 1941, V. 660-661.

even farther to state that:

Our resistance is just a pawn in the calculations of other democratic powers. Japan is being furnished the materials with which to destroy us in order to relieve the British from attack in the south and maybe even the Russians from attack in the north. Although we are being given polite non-offensive aid like road materials and trucks, nothing which would really offend Japan or give us striking power of retribution against Japan is being allowed to actually get there - even though this supposedly non-existent offensive material²⁹ is available immediately for our friends the Russians.

Gradually, due to the actions of Dr. Soong, Dr. Currie, and Hornbeck's studies, China was able to get an assistance program worked out and start receiving the much-sought-after and needed aid. By July, 1941, a full program of assistance to China became established policy under the Lend-Lease provisions.³⁰

Perhaps the greatest problem facing China in receiving foreign assistance, once granted, was one of transportation. Almost immediately with the beginning of hostilities, the Japanese strategy became one of blockade or cutting the Chinese off from sources of outside assistance. China was unable to maintain access to the sea in the early months of war as she was forced to trade time and space to organize resistance and attempt to obtain foreign assistance.³¹ The result was that China rapidly became virtually isolated from the outside world. With the Japanese move into French Indochina, the only routes to China were the overland trading paths from the Soviet Union and the Burma Road.

²⁹Sherwood, Roosevelt and Hopkins, pp. 406-408.

³⁰U.S. Dept. of the Army, Global Logistics, p. 86.

³¹Young, China and the Helping Hand, p. 49.

Once China became included in the Lend-Lease provisions with a solid program of assistance, the first problem encountered was that great "bottleneck of transportation," the Burma Road. This road had been started in 1937 by some one-half million Chinese laborers and opened the following year. The road consisted of 715 miles of rough dirt road between the Rangoon-Lashio Railroad terminal at Lashio, Burma, to Kunming in Yunnan Province, China.³² From the time of the construction of the road, Americans had been involved in advising and consulting the Chinese government. In June and July of 1938, Mr. Julean Arnold, an American Commercial Attache, had investigated the roadway, pointing out needs of maintenance and service centers. After this the Chinese engaged Mr. D. F. Myers, an American automotive expert, for assistance. Myers advised on making the road usable under all weather conditions and the use of repair shops. In July of 1939, the Chinese government invited an American mission, led by Mr. M. E. Sheahan, a Chicago trucking operator, to study the road. This mission filed reports of needed improvements such as surfacing and drainage of the roadbed, maintenance and repair shops, regulation of traffic, and training and better wages for drivers.³³

When the British reopened the Burma Road in October, 1940, after its temporary closing due to Japanese pressures, the Chinese had some 100,000 tons of vitally needed equipment on the docks at Rangoon. The estimated carrying capacity of the

³²Stettinius, Lend-Lease, p. 111.

³³Young, China and the Helping Hand, p. 111.

road was 30,000 tons monthly, but in truth rarely did the tonnage from Lashio to Kunming equal 5,000 tons, and in February, 1941, it was down to 3,000 tons. At that time the Chinese government obtained the services of Mr. John Earle Baker, who served prior to this as administrative director of the American Red Cross China Program, as Director General of the Burma Highway Commission. Under Baker's leadership the traffic increased and tonnage improved from the 3,000 tons of February to 10,000 tons in April.³⁴

With Dr. Currie's return from China in March, 1941, a transportation mission was selected to go to China and study the problems of the Burma road and to make suggestions for its improvement. This mission was composed of Mr. Daniel Arnstein, president of the Terminal Cab Company of New York City, and Mr. Marco Hellman and Mr. Harold Davis of the trucking industry. This mission arrived in Chungking by air on July 12, 1941. From Chungking they traveled to Kunming and then via the Burma Road to Rangoon, and then reversed their travel back via the Burma Road to Chungking with a report on improvements for the road. Their recommendations called for more truck terminals and repair centers spaced one day's travel apart on the road and for these centers to be fully equipped with spare parts, lubricants, etc., and staffed with trained mechanics. Also, they recommended a reduction in provincial tolls and keeping toll stations open for longer hours.³⁵

³⁴Barnett, China - America's Ally, p. 41.

³⁵George Kent, "Cabby on the Burma Road," Asia, XLI (December, 1941), pp. 687-688.

With the Arnstein recommendations in, the Chinese and American governments began to make improvements on the road and its connected problems. The Chinese started a program of hard-surfacing the road in the summer and fall of 1941, using the tons of Lend-Lease asphalt and grading equipment being shipped from the United States. In July, 1941, Lend-Lease trucks and spare parts began arriving in considerable numbers. In August a truck assembly plant was established in Rangoon and many of the service centers along the road were stocked with spare parts and supplies.³⁶ In October and November of 1941, Burma Road tonnage had increased to approximately 15,000 tons a month with even prospects of reaching some 35,000 tons per month in 1942.³⁷

An alternate means of transportation other than the Burma Road was being constructed by the Chinese at the time improvements were being made on the road. In 1938, China started construction of a railroad that was to travel from Kunming to Lashio and there connect with the existing railroad to Rangoon. By the spring of 1941, the roadbed had been completed in the Chinese section with rails being used from the Yunnan section of the closed Indochina Railroad and even some rails slipped from behind Japanese lines in occupied China. In March, 1941, the British government pledged to provide the financing and engineering assistance to Burma for construction of the railway

³⁶ Stettinius, Lend-Lease, pp. 112-113.

³⁷ Ibid.

in Burma.³⁸ In April, 1941, the United States became involved as the War Department sent Major John E. Ausland, a former official of the Chicago, Burlington and Quincy Railroad, to Burma as an American advisor and to obtain Lend-Lease assistance for construction. Major Ausland worked with Sir John Rowland from the Burma Government, and General Tseng Yang-fu of China on the railroad project. Lend-Lease aid was used in placing some ninety percent of the needed equipment and supplies on order in the United States. In one incident the War Department purchased 125 miles of abandoned narrow-gage railroad track from the Denver and Rio Grande Western Railroad for use on the Yunnan Railroad project.³⁹ Also, twenty steam locomotives were placed on order with the American Locomotive Company to be completed and delivered by mid-1943.⁴⁰

One of the greatest hazards in construction of the railroad was malaria which took the lives of thousands of Chinese workers. The problem was so bad that on July 19, 1941, President Roosevelt announced that funds had been allocated to send a United States Public Health Service team to Burma for malaria control and medical assistance.⁴¹ This medical mission was a joint effort of the Chinese and American governments and

³⁸Ibid., pp. 113-114.

³⁹Romanus and Sunderland, Stilwell's Mission to China, p. 47.

⁴⁰Barnett, China - America's Ally, p. 43.

⁴¹FRUS, 1941, V. 678-679.

the Rockefeller Foundation.⁴² Lend-Lease funds of \$1,000,000 were allocated to the Public Health Service for the mission. A sixteen member medical team under Dr. Victor H. Hass, complete with field hospital, was transported to the Yunnan Railroad site. The situation was so bad that out of one construction gang of 2,000 Chinese laborers, over 400 had died of the disease, 600 had fled, and approximately 800 of the remaining 1,000 were ill with malaria.⁴³

Almost all of the work and assistance put into the Burma Road project and the Yunnan Railroad proved to be in vain as shortly after the Pearl Harbor attack Burma was occupied by the Japanese and this effectively sealed China off from surface support via south Asia. Other than the trading routes through Central Asia to the Soviet Union, China was cut off from outside assistance and communications except through the air. Use of the air routes was taking place before the capture of Burma. Pan-American Airline had operated commercial flights from the Philippines to Hong Kong since 1935. From Hong Kong to China's interior, flights were maintained over the Japanese lines by the China National Aviation Corporation. By way of this transportation link many desperately needed items were transported to China. Of course as was the Burma Road, this link was broken by the Japanese once this Asian war developed into a world war.⁴⁴ Items

⁴²Barnett, China - America's Ally, p. 43.

⁴³Stettinius, Lend-Lease, p. 114.

⁴⁴Ibid., p. 151.

carried in via the Philippine-Hong Kong air link were for the most part medicines, gasoline, and banknotes, with the outgoing flights carrying tungsten and other items for the repayment of United States Export-Import Bank credits.⁴⁵ In the later part of 1940, the China National Aviation Corporation obtained the rights to fly into India, with the first survey flight over the "hump" made on November 24, 1941. This was the route that proved so important to transportation and communications in the years after Pearl Harbor.⁴⁶

Just as the Chinese had need of technical and professional assistance in improvement and construction of transportation and communications links with the friendly powers, so there was the need for this type of assistance to rebuild the Chinese military forces. The Chinese military had little understanding of American weapons and material, their military assistance of the past had been from Germany and then from the Soviet Union. To effectively use and request American military equipment an American military mission was necessary to provide training and technical assistance.⁴⁷ These and other reasons for a military mission in connection with the Lend-Lease program were cited by members of the State and War Departments. In addition to advising on requisitions a military mission could develop an overall Lend-Lease Program that would mesh with the programs of other countries, provide training and advising

⁴⁵Young, China and the Helping Hand, p. 122.

⁴⁶Ibid., p. 124.

⁴⁷U.S. Dept of Army, Global Logistics, pp. 108-109.

teams, ensure the proper distribution of equipment and end waste, obtain the proper equipment for the Chinese air force, and provide a co-operative staff in case the United States became involved in the Sino-Japanese conflict.⁴⁸ On July 3, 1941, General Marshall approved an American Military Mission for China and on July 12, selected Brigadier-General John Magruder to head this mission.⁴⁹ The General had served two tours of duty in China as a military attache.⁵⁰ President Roosevelt announced this decision in a press conference on August 26, 1941.⁵¹

The War Department's orders to General Magruder detailed the role of the mission as one of advising and assisting the Chinese government in procurement of Lend-Lease supplies, training Chinese personnel in the use of new equipment, and working with all Departments of the United States government in their roles of assistance under Lend-Lease. Also, General Magruder was requested to make a detailed study of all possible communication and transportation links from China.⁵²

The American Military Mission to China was divided into several sub-groups for operational and functional purposes. One group was established with the Chinese government and

⁴⁸Romanus and Sunderland, Stilwell's Mission to China, p. 28.

⁴⁹Ibid., p. 29.

⁵⁰Jones and Myers, Documents, IV. 535-536.

⁵¹Roosevelt, Public Papers and Addresses, 1941, pp. 343-344.

⁵²Romanus and Sunderland, Stilwell's Mission to China, p. 30.

military, another in Rangoon to work with the transport of goods along the Burma Road, and the third group was to remain in Washington to act as a liaison and assistance group between China Defense Suppliers and the various departments and agencies of the United States government.⁵³

The first group of military advisors arrived in Chungking by way of air from Manila and Hong Kong on September 13, 1941. General Magruder arrived in the Chinese wartime capital on October 10, 1941, and assigned staff members in the areas of communication, aviation, military supply, arsenals, and military training.⁵⁴ On October 22, 1941, the first weapon shipment arrived in Rangoon on the American ship SS Tulsa. This shipment contained thirty-five scout cars, forty-eight 75 mm howitzers, one-hundred .50 caliber machine guns, eleven-thousand Thompson sub-machine guns, five-hundred Bren guns, and a large quantity of ammunition for these weapons.⁵⁵ By November, 1941, the staff of the American Military Mission was two-thirds completed with twenty officers on assignment in China and Burma.⁵⁶

China had better luck in receiving aviation assistance from the United States than assistance in any other area. Even before the Sino-Japanese conflict had begun, Americans had been involved in China's military aviation program. As

⁵³Ibid., p. 30.

⁵⁴Ibid., p. 32.

⁵⁵Ibid., p. 37.

⁵⁶Liu, A Military History of Modern China, p. 175.

early as 1931, John H. Jouett, an American Army retired colonel, had started an aviation school near Hangchow.⁵⁷ Jouett directed this training program until Chiang Kai-shek obtained an Italian Air Mission in 1934. Shortly after this Jouett ended his program and left the country in 1935.⁵⁸ The next, and most important, American to play a role in China's aviation program was Claire L. Chennault.

The saga of Colonel Claire L. Chennault, U.S. Army Air Corps Retired, is largely the story of United States aviation assistance to China. Colonel Chennault became involved in China's aviation training program even before his retirement from the American military. Before the war started Roy Holbrook, an ex-Air Corps pilot serving as a flying instructor in China, asked Chennault's assistance in finding American instructors for the Chinese air force. Among those that Chennault recommended and who served as instructors were former Sergeants John H. Williamson and Billy MacDonald, both men former members of the Army Air Corp's famed "Flying Trapeze." After Chennault's retirement from the military on April 30, 1937, he accepted an offer from Madame Chiang Kai-shek to do a three-month survey of the Chinese air force. Chennault traveled to Japan on the

⁵⁷Ibid., pp. 174-175.

⁵⁸Young, China and the Helping Hand, p. 24. Jouett reported in December, 1937, that some 350 Chinese pilots then engaging the Japanese air force were graduates of his Hangchow flying school. John H. Jouett, "War Planes Over China," Asia, XXXVII (December, 1937), 827.

ocean liner SS President Garfield, arriving in Kobe, Japan in May, 1937, and from there went on to the Asian mainland.⁵⁹

Chennault was in China making the aviation survey when the Marco Polo Bridge incident took place. With this start of hostilities he offered his services to the Generalissimo and was placed in charge of the final training of Chinese fighter groups.⁶⁰ Chennault took his mission seriously and began work in trying to build and improve China's air forces. His reports to the Generalissimo were extremely critical of the Italian Air Mission. He found their training school at Loyang to be a complete farce, the aircraft assembly plant at Nanchang a fraud, and even voiced his suspicions that the Italians had sold aerial surveys of strategic areas in China to the Japanese. Of the five-hundred aircraft carried on the Chinese Aero Commission roster, Chennault found only ninety-one aircraft fit for combat assignment.⁶¹ Soon after accepting his position with the Chinese military, Chennault was leading air sorties against the Japanese. He ignored Japanese demands that American airmen leave China's service and did likewise to orders and threats of arrest, court-martial, or loss of citizenship from the United States Department of State issued through the American Consul-General in Shanghai.⁶²

⁵⁹Joe Archibald, Commander of the Flying Tigers: Claire Lee Chennault. (New York: Julian Messner, 1966), pp. 33-34.

⁶⁰Ibid., p. 37.

⁶¹Young, China and the Helping Hand, pp. 24-25.

⁶²Archibald, Commander of the Flying Tigers, pp. 40-46.

Part of the Japanese strategy to break the Nationalist government of Chiang Kai-shek and the will of the Chinese people called for "heavy and indiscriminate" bombing of the Chinese population. Chennault played a large role in the development of a warning system and construction of shelters that caused this policy to be unsuccessful. During this time, 1938-1939, Chennault argued for the purchase of aircraft from European and American sources. The Chinese were hesitant to do so and with the invasion of Poland in 1939, the chance was lost.⁶³ Chennault tried many ways to obtain United States assistance and involvement to aid China. Several times he asked to be recalled to active status with the Air Corps. In one plan he wished to train Chinese pilots in the United States, and later he offered to be recalled to active status after the German invasion of Poland in 1939, but the United States was not yet ready for so drastic a step.⁶⁴

The subject of American flying instructors came up many times during conversations between Chinese and American officials in 1940. On January 3, 1940, the First Secretary of the Chinese Embassy in Washington approached the State Department's Division of Far Eastern Affairs concerning obtaining American instructors. The State Department replied that they preferred not to become involved even if the role of American aviators would be instructional and not involve combat. It was suggested that perhaps Chennault could find qualified men in the United States and

⁶³Young, China and the Helping Hand, pp. 138-140.

⁶⁴Archibald, Commander of the Flying Tigers, pp. 46-50.

engage them in China's service.⁶⁵ This line of request was continued on October 18, 1940, with Chiang Kai-shek asking Ambassador Johnson for more American aircraft, spare parts, and volunteers.⁶⁶ Secretary Hull cabled Ambassador Johnson on October 24, 1940, that since July, 1937, licences had been granted for the export of 279 aircraft to China, with the value of these aircraft, plus spare parts, approximately \$22,000,000. Hull also pointed out that China ranked in first place in airplane purchases from the United States in 1937, in third place in 1938, dropped to twenty-first in 1939, and was eleventh in the first half of 1940. During the first eight months of 1940 licenses for 115 airplanes to China had been approved with a number now enroute to Rangoon.⁶⁷

In November, 1940, Chiang Kai-shek sent Chennault and Major-General Mao Pang-ch'u to Washington requesting American aviation assistance. On November 25, 1940, Dr. T. V. Soong presented the Chennault-Mao package to the President's Liaison Committee, a civilian agency composed to coordinate arms purchases in the United States, for consideration. The request was for the following to be delivered in 1941: 500 combat planes, 150 basic trainers, 10 transport aircraft, twenty percent spare parts, materials for construction of 14 airfields and 122 landing strips, and ammunition and other

⁶⁵FRUS, 1940, III. 251.

⁶⁶Romanus and Sunderland, Stilwell's Mission to China, p. 9.

⁶⁷FRUS, 1940, III. 679-682.

supplies for a year's operations.⁶⁸ Also included was the request for some 200 American flying instructors and 150 American maintenance personnel.⁶⁹ On December 1, 1940, the Export-Import Bank credit of \$50,000,000 was announced, of this amount \$25,000,000 was free to be used for purchases such as military aircraft.⁷⁰ Following the credit announcement came a decision from the State Department on December 4, 1940, to provide fifty aircraft to China.⁷¹

In January, 1941, Chennault, with the assistance of Secretary Morgenthau, was able to obtain almost immediate delivery of one-hundred fighter aircraft. These airplanes, one-hundred P-40Bs, had been made available to Sweden from British allocations because that country considered the model to be obsolete for the warfare then taking place in Europe.⁷² Even with these aircraft available, China ran into numerous problems seeking armaments and ammunition for combat use. An arrangement was made with Great Britain for the necessary armaments in return for one-hundred later model aircraft scheduled for China, but not yet produced.⁷³ Obtaining ammunition

⁶⁸Romanus and Sunderland, Stilwell's Mission to China, pp. 10-11.

⁶⁹Young, China and the Helping Hand, pp. 141-142.

⁷⁰Romanus and Sunderland, Stilwell's Mission to China, p. 11.

⁷¹Young, China and the Helping Hand, pp. 141-142.

⁷²Robert Lee Scott, Jr., Flying Tiger: Chennault of China. (New York: Doubleday and Company, Inc., 1959), p. 46

⁷³Romanus and Sunderland, Stilwell's Mission to China, pp. 12-13.

for the planes proved to be almost as much trouble. Finally, Dr. Lauchlin Currie gained permission from President Roosevelt for the release of some 1,500,000 rounds of ammunition from War Department Army stocks.⁷⁴ These aircraft were purchased at a cost of \$8,900,000 from Export-Import Bank credits.⁷⁵

With the necessary aircraft now available, Chennault needed one other item, which he considered to be the "key to a successful aviation program," American pilots and ground crews. Fortunately for Chennault and China, the State Department was taking a more liberal interpretation of United States law concerning Americans serving foreign powers than had been the case earlier. Also, such a plan now had the official blessing of cabinet members Knox, Stimson, and Morgenthau, and most importantly the backing of President Roosevelt.⁷⁶ With this administration approval the American Volunteer Group to China was established. Mr. William D. Pawley signed a non-profit contract with Dr. T. V. Soong for the operation of this group and Chennault received the title of "supervisor."⁷⁷

Recruitment of qualified personnel proved a problem for Chennault. He needed men trained as aviators by the Army and Navy and this was a time of expansion of our military

⁷⁴Ibid., p. 20.

⁷⁵Stettinius, Lend-Lease, pp. 116-117.

⁷⁶Young, China and the Helping Hand, pp. 148-149.

⁷⁷Romanus and Sunderland, Stilwell's Mission to China, p. 19.

forces and the services did not wish to give up personnel.⁷⁸ On April 15, 1941, Chennault received help on the problem from the President, as he signed an unpublished executive order allowing Army, Navy, and Marine Corps flyers and ground personnel to leave active service and join the American Volunteer Group.⁷⁹ Now, Chennault was able to recruit over one-hundred pilots for the military services. Also one-hundred and fifty maintenance and ground crew personnel were recruited. The American Volunteer Group was able to attract personnel, not only with the adventure, but offered high pay for those volunteering their services. Pay for pilots was from \$600 to \$750 per month, with a \$500 bonus guaranteed by the Chinese government for each Japanese plane shot down or destroyed on the ground. The pay for ground crew personnel averaged \$300 per month.⁸⁰

On June 9, 1941, the first group of American volunteers sailed for Rangoon aboard a Dutch vessel. Admiral Harold R. Stark, the Chief of Naval Operations, provided the vessel a warship escort through the Japanese mandate islands. Mr. Edward Pawley, the brother of William Pawley, arrived in Chungking ahead of the volunteers to check on preparations for the force. He found little had been arranged, but fortunately he was able to gain permission from Air Chief Marshal Sir Robert Brooke-Popham, the British commander-in-chief in

⁷⁸Young, China and the Helping Hand, p. 150.

⁷⁹Langer and Gleason, The Undeclared War, p. 491

⁸⁰Stettinius, Lend-Lease, pp. 117-118.

the Far East, to use two British airfields in Burma. These fields available were Toungoo and Magive, both granted for the object of training only and specifically not to be used as bases to attack the Japanese. The first volunteers arrived on July 28, 1941, and were sent to Toungoo, Burma.⁸¹

Throughout the remainder of the summer and fall of 1941, Chennault worked and drilled his volunteers. He found that he suffered great shortages of almost every item, spare parts, tires, ammunition, communications equipment, etc. Also this period of time was used to weed out those unfit and undesirable members of his team, with twenty-five men returning to the United States. By November, the "supervisor" had a trained fighting force but was largely without usable aircraft. Of his planes, twenty-three were in need of engines or other parts, twenty-six had flat or no tires, and only forty-six were available for service. Resulting from his request to American and British sources a large amount of spare parts were gathered up and shipped by air freight to his Burma Base. These were the first items furnished the American Volunteer Group covered by the Lend-Lease program. By the first week in December, Chennault's forces included ninety trained pilots, one-hundred and eighty American ground crewmen, and his planes were divided into three pursuit squadrons of eighteen planes each with a reserve force of ten aircraft.⁸²

⁸¹Romanus and Sunderland, Stilwell's Mission to China, p. 19.

⁸²Stettinius, Lend-Lease, p. 118.

In May, 1941, at the request of Chiang Kai-shek for an American air mission, Brigadier General Henry B. Clagett, the Commander of the American Interceptor Forces in the Philippines, and his aid Colonel H. H. George made a survey of China's airfields. Clagett was impressed by the work and effort that the Chinese had put into their airfields and believed that they would handle the latest aircraft and equipment if the pilots and ground crews were properly trained. He further stated that it would be necessary to train Chinese pilots in the Philippines or on fields in the United States.⁸³ General Clagett's tour of China's airfields was reported in a national newsmagazine in June, 1941, and information presented that American pilots would protect the vital Burma Road.⁸⁴ Later Lend-Lease funds were made available for the training of Chinese pilots and the first group of fifty Chinese pilots arrived at Thunderbird Field in Arizona, for training in October, 1941.⁸⁵

By mid-1941, more aircraft were allocated under Lend-Lease for China. Dr. Currie recommended to the President on July 19, 1941, that a number of pursuit type and bomber aircraft be made available to China.⁸⁶ Currie was able to get some of this request approved and had the State Department cable Ambassador Gauss,

⁸³Barnett, China - America's Ally, pp. 44-45.

⁸⁴"China: U.S. Moves In," Time, XXXVII (June 30, 1941), 37-39. "Convoys' to China," Time, XXXVII (June 23, 1941), 33-34.

⁸⁵Stettinius, Lend-Lease, p. 116.

⁸⁶FRUS, 1941, V. 679-681.

on July 23, 1941, to inform Madame Chiang that the President had agreed to provide sixty-six bombers to China with twenty-four to be delivered immediately.⁸⁷ By September, Currie had scheduled for delivery in the following six months 269 pursuit aircraft, 66 light bombers, 10 transports, and 70 training aircraft.⁸⁸

On October 30, 1941, Chiang Kai-shek reported that he believed the Japanese would strike the vital communications and transport center of Kunming. He asked that the United States send an armed force for possible intervention in case his beliefs proved correct. General Marshall, the Army Chief of Staff and Admiral Stark, Chief of Naval Operations, voiced their disagreement and the decision was reached to reinforce the American Volunteer Group.⁸⁹ With this decision, recruitment for a second volunteer group was started on November 1, 1941. The second group departed later that month and became stranded in Australia after the Pearl Harbor attack. Also, late in 1941, the British agreed to furnish a volunteer squadron to serve along side the American volunteers, but this was interrupted in the planning stages by the Japanese attack of December 7, 1941.⁹⁰

⁸⁷FRUS, 1941, v. 683.

⁸⁸U.S. Dept. of the Army, Global Logistics, p. 87.

⁸⁹Hull, Memoirs, II. 1057.

⁹⁰Romanus and Sunderland, Stilwell's Mission to China, pp. 24-25.

As in the case of the granting of Export-Import credits earlier, decisions to assist the Chinese were made to offset or confront events taking place. Aid to China increased as the Japanese threat to Southeast Asia became more real. The decision to greatly bolster the Chinese air force and the American Volunteer Group in the summer of 1941, was reached after the German invasion of Russia in June, 1941, and the Japanese-Vichy French agreements on Indochina.

Certainly American-Japanese relations, as they grew more strained in 1941, gave the Chinese moral support. Just as the embargo on scrap iron and aviation gasoline in December, 1940, gave indirect support to China, the decision of President Roosevelt to freeze Japanese assets and end the sale of oil on July 26, 1941, gave more indirect assistance to China and greatly increased their morale as they looked more at the United States as an ally rather than a friendly power.

Chapter VI

CONCLUSION

The study of the United States assistance to China in the years 1937 to 1941 has demonstrated a continuously changing foreign policy on the part of the United States. The foreign policy of this nation toward Asia in general and China in particular during those years was passive rather than active. The United States seemed to react to world events as they were taking place instead of proceeding with an active foreign policy which may have helped influence world events and actions. Perhaps the best term to describe this nation's foreign policy in the late 1930's is a policy of neutrality. Just as this kind of diplomacy failed to work in the second decade of the twentieth century, so it failed to work again in the 1930's. Unlike the period before World War I, the United States Congress enacted laws in the 1930's to keep this nation from foreign wars and to keep foreign wars away from this nation.

Much has been written about the neutrality legislation. To avoid possible involvement in foreign wars this legislation was enacted during the Spanish Civil War and the Italian-Ethiopian crisis, but President Roosevelt failed to find a war in Asia in July, 1937, and the country went to a "twenty-four hour policy." Almost all historians agree that President Roosevelt's reasons were to make assistance available to China in her struggle against Japanese aggression. However, it is open to debate if this decision aided the Chinese as much as it did the Japanese. The President presented his views in a press conference on April 21, 1938. His reasons for the decision were that Japan did not purchase arms or munitions from this country, she produced her own. What Japan did purchase was raw materials and fuels, and the Neutrality Laws did not forbid the sale of such items. China, on the other hand, was forced to buy finished products, and she was purchasing arms and munitions from this country through third parties.¹

Although the Neutrality Laws were not publicly applied they were undeniably behind many decisions and actions by the United States. An excellent example of this was the removal of Chinese purchased aircraft from the American flag vessel SS Wichita. Also arms and munitions sales were refused to China except on a cash basis even if a war had not been found and the neutrality legislation had not been applied.

¹Roosevelt, Public Papers and Addresses, 1938, pp. 260-295.

The greatest opportunity for a strong stand by the United States was at the Brussels meeting of the Nine-Power Treaty members in November, 1937. Because of the failure of the United States to provide the necessary leadership, this last good chance for peace was lost. Perhaps the isolationist feeling of the American people and their Congress dictated this failure in American statecraft at Brussels. President Roosevelt's Chicago "Quarantine Speech," presented just before the Brussels Conference, had brought demands of neutrality and isolation from this Asian conflict. But, even if the American public were isolationist, it would not have been neutral in feeling. This feeling is evident as shown in the large amount of Red Cross relief funds collected for the Chinese.

Foreign assistance to China during the years 1937 to 1940 is largely a story of Russian assistance and not American. Just as the Soviet Union was willing to take a strong stand at the Brussels Conference, so she was the first to come to the aid of China. Several reasons for this may be found. The Soviet Union, other than China, stood most to lose from a powerful, victorious, aggressive Japan. The Russians had combated the Japanese earlier in the century over concessions in Korea and Manchuria. Also, during World War I and the Russian civil war, Japanese troops occupied much of Siberia. The Soviets paid dearly for their understanding and appreciation for the "land of the rising sun." Therefore, the Soviet Union looked at the Nationalist government of Chiang Kai-shek as

their first line of defense against an aggressive Japan. If Japan were to be victorious and obtain the resources of China, would not the Soviet Union be the next victim? Also, one must recall that an understanding had been reached between Chiang Kai-shek and the communists at Sian in December, 1936.

The value of Soviet assistance to China is almost unmeasurable in terms of Chinese resistance to the Japanese. The Soviets provided a "volunteer" air group to China and a military mission that pre-dated the American Volunteer Group and the Magruder mission by three years. It was only after the imminent threat in Europe that the Soviet self-interest caused assistance to the Chinese to be diverted to enlargement of her own military. Surely the Soviet Union was able to take almost immediate actions because she was not hampered by a democratic form of government, and she did so in the interest of her own self-defense.

United States assistance to China from 1937 to late 1940 was largely in terms of moral support. The silver purchase policy of the United States Treasury was indeed a help to China in terms of foreign purchase power. But this policy was not a policy designed to assist China, but a domestic measure enacted to help overcome the great depression. True, the policy was continued to assist the Chinese to convert their silver holdings into usable foreign exchange, but the United States received the silver and the market for the granted exchange. With China's silver stocks so rapidly depleted, a series of Export-Import Bank loans were granted. These loans were of

great value to the embattled Chinese although many "strings" were attached. Again this country was the only market where the credits could be used and in some instances the spending of matching Chinese funds was required. The fact remains that United States assistance to China from the Marco Polo Bridge incident until late in 1940 was almost insignificant in comparison to the Soviet assistance.²

In 1941, economic and military assistance from the United States to China rapidly picked up and continued to increase throughout that year. This aid largely took the form of Lend-Lease assistance and the American Volunteer Group. Inasmuch as the loans granted through the Export-Import Bank had been carefully timed to offset Japanese successes and to bolster Chinese morale, assistance granted in 1941 was keyed by world events and American self-interest rather than a great Chinese need. The Chinese had been in a desperate situation since late 1937. It was true that there was a vacuum that needed to be filled with the slowdown and halt of the Soviet assistance.

Lend-Lease was an example of Anglo-British diplomacy. The program was intended and planned to assist Great Britain against the Nazi war machine. China had difficulties in getting a program of assistance in operation because she had not been involved in the planning stages. When it became

²Young, China and the Helping Hand, p. 441. Total American military purchase credits and Lend-Lease credits from 1937 through 1941 totaled \$101,000,000 while the Soviet Union's credits for the same time period totaled \$170,000,000.

obvious that Japan would strike into Southeast Asia, China began to receive assistance.

Even the Lend-Lease assistance to China is best described as too little and too late. By the time China was given due consideration and a program worked out, the supply was almost exhausted. Great Britain, the Soviet Union, and our own needs were given priority over the needs of China. Also, the program was too late; not that China could not benefit from the assistance, but how was it to be delivered. By this late date only the Burma Road route was available and it was soon closed in early 1942.

It should be pointed out that American assistance to China did not bring on the Japanese attack on Pearl Harbor. The Japanese attack was prompted by the United States oil embargo of July, 1941. The Japanese were forced to look on Southeast Asia as the source of this critically needed item. To move into that area would bring action from the United States as she moved to support the British, Dutch, and her own self-interest. Believing this to be correct, the Japanese decided to strike first. Also, it can be reasonably said that the United States would not have entered the war regardless of China's difficulties. The United States best interests were served if the Japanese military could be tied down in China. The extent of aggression that American policy would not allow the Japanese to expand beyond what was a line north of Dutch Indonesia and British Malaya.³

³Tsou Tang, America's Failure in China, 1941-1950. (Chicago: University of Chicago Press, 1963), pp. 22-23.

Enjoying the advantage of hindsight it seems obvious that the time for action in halting Japanese aggression was at Brussels in 1937. There was no war going on in Europe and the other members of the Nine-Power Treaty would have probably followed a United States lead in actions against Japan. Almost certainly an embargo on oil would have been effective at that time, with little to fear in a Japanese attack on Southeast Asia. But this was not done; the opportunity was lost. Perhaps Brussels should be termed the "Munich of Asia." Also, having the benefit of hindsight and speculation, one wonders what effect strong action by a concert of nations would have had on the world at that time.

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