

1939-

Chungking

ANNUAL POLITICAL REVIEW.

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Copy to... *T.S. 20 P/L* BRITISH EMBASSY,

No. *359* of *8/2/40* *Y/H* CHUNGKING,

(By Safe Hand)

Copy to... *DM. P/L* May 24th, 1940.

No. *479* of *8/2/40* *Y/H*

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COMPLETED

My Lord,

I have the honour to refer to Your Lordship's Circular despatch (L6851/842/405) of the 4th November last and to transmit to you herewith a review by Sir Arthur Blackburn, of the general political situation in China during the year 1939.

In July the Sino-Japanese War entered upon the third year of what has become, as time has passed, more and more a test of endurance. Until December, when the Japanese invaded Kwangsi and took Nanning, the general military situation had remained more or less static throughout the year. The Chinese had been able to draw much comfort from Japanese reverses in Hupeh, Shansi and Hunan, in each of which the invaders had not only failed to reach their objectives, but had been compelled to withdraw to their starting point with heavy loss. But the loss of Nanning was a serious blow. It not only cut one of the few remaining important roads between free China and the outside world, but it brought the Japanese within easy bombing reach of the vital railway line between Indo-China and Yunnan, thus throwing into increased confusion the already muddled problem of supply. It cannot be gainsaid that, in the operations which ended in the loss of Nanning, the Chinese effort /

The Right Honourable,

Viscount Halifax, K.G., G.C.S.I.,

etc., etc., etc.,

FOREIGN OFFICE,

LONDON.

effort was weak to a degree that was in no sense justified by inferiority of arms and equipment. While they admit that the rapid advance of the Japanese was aided by some acts of treachery, their failure in Kwangsi must be put down to sheer ineptitude. But it had one interesting effect which may make an important contribution to the final unity of China. The urgent need for the use of Central Government troops to meet the Japanese thrust opened up a province, which, while bearing its full share of the common war burden, had kept its frontiers jealously closed to the armies of General Chiang Kai Shek. New breadth was thus given to his influence.

The dejection which followed the fall of Nanning, though deep, was shortlived. The resiliency of the Chinese is remarkable and in spite of this blow the confidence of the Generalissimo and his Government remains unshaken and the people seem to be solidly loyal to General Chiang Kai Shek and his policy of sustained resistance, not only in free China, but also in the areas occupied by the Japanese, where reports of Chinese military successes (alas! too often misleading) are received with equal, but forcedly less demonstrative joy.

The key to China's relations with countries other than Japan is the one word :- supply. The desperate need of arms and military stores from abroad drove the Chinese into a dependence upon the Soviet which most of them deplore. The Central Government, and in particular General Chiang Kai Shek, naturally lean towards the democracies and away from the Soviets. Had they been able to get what

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they required elsewhere they would gladly have held the Russians at an arm's length. But the democracies were unwilling to help them and the Chinese were forced to persist in a relationship with the Soviets which was not only distasteful to them, but which may, in the long run, have very serious consequences. Its immediate effect was to give added colour to the Japanese claim that General Chiang Kai Shek was wedded to Communism and to make any possibility of accommodation between Chungking and Tokyo more than ever remote.

The outstanding political event of the year was the emergence of Mr. Wang Ching-wei as the champion of peace with Japan almost at any price. The Central Government and all its supporters throughout China made light of his defection, declaring that another puppet more or less did not matter. By the end of the year Mr. Wang Ching-wei had become the successor of Ch'in K'uei, the great traitor of Chinese history. As such he had been unable to gather to himself more than a group of discredited or disgruntled office seekers, none of whom was of any political account. But, at this stage, it would be imprudent to attempt to forecast his chances. At present everything seems to point to failure, but much must depend upon the march of world events, upon the tenacity of the resistance of free China and upon the Japanese ability, at present unabated, to carry on a prolonged war. It is, as I have said, a test of endurance, with the odds perhaps still on the Chinese /

Chinese, whose sufferings through the centuries have
made them particularly fitted to endure.

I have the honour to be,

With the highest respect,

My Lord,

Your Lordship's most obedient, humble,

Servant,

(Signed) ARCHIBALD CLARK KERR.

(a) Unoccupied areas.

1. At the beginning of the year Chungking seemed to have recovered from the flurry caused by the defection of Mr. Wang Ching-wei. The Central Government having closed its ranks became, to outward appearance, at any rate, as closely united as ever before, and continued to enjoy the support of the overwhelming majority of the people of China.

2. The disappearance of Mr. Wang and his adherents necessitated a number of changes in high positions in Chungking, the most important of which the Presidency of the People's Political Council - formerly held by Mr. Wang - was taken over by General Chiang himself.

3. The Fifth Plenary Session of the Central Executive Committee of the Kuomintang, which was held in Chungking in January, endorsed the action which had been taken in regard to Mr. Wang Ching-wei. General Chiang Kai-shek opened the proceedings with a closely reasoned exposition of the thesis that China had only to maintain her resistance to ensure the ultimate failure of Japan's adventure on the mainland, and at the end of the session a manifesto was issued reaffirming the national policy of resistance. As regards domestic politics a passage in the manifesto indicated that, while the Communist Party could not be admitted into the Kuomintang as a separate entity, all Chinese were welcome to participate actively in the campaign of resistance, irrespective of their past political views and affiliations. The exact significance of this, as regards the practical relations between the Chinese Communists and the Kuomintang, was not clear, but it was an indication of the uneasiness of the relationship prevailing between these two principal partners in the "United Front". The most important of the published decisions of the Congress provided for the

creation of a new Supreme National Defence Council with the object of bringing party, political and military affairs under one supreme control. This decision was put into effect at once. The Council comprised the members of the Standing Committees of the Central Executive and Central Supervisory Committees of the Kuomintang, the members of the Military Affairs Commission and the Presidents of the five Yuan. The Generalissimo assumed the chairmanship of the Council and General Chang Ch'un was appointed Secretary General. There was a Standing Committee of eleven members, namely the Presidents of the five Yuan, the Minister for Foreign Affairs, the Chief of Staff and Deputy Chief of Staff of the Military Affairs Commission, and the three members of the Standing Committee of the Central Executive Committee (Messrs Chen Kuo-fu, Yeh Chu-tsang and Tsou Lu). This standing Committee of the Supreme National Defence Council, with the Chairman and the Secretary General of the Council became in effect the War Cabinet of the Central Government.

4. In February was held the third plenary session of the National People's Political Assembly. This, it will be remembered, is the body which was established in the previous year as a substitute for the elected parliament, which should have inaugurated the third or constitutional period of Dr. Sun Yat-sen's system in 1937, but which was unavoidably postponed by the outbreak of hostilities. The Session was presided over by the Generalissimo, who had succeeded Mr. Wang Ching-wei as chairman of the Assembly. Like its two predecessors, it was reported to have afforded an occasion for considerable criticism of the Government and mutual recrimination by the Kuomintang and Communists, but

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owing to the absence of published accounts of the debates only the barest outlines became known to the general public.

5. During the next two months there were no developments of importance in the Central Government, the centre of political interest being transferred to occupied China and the efforts of the Japanese to establish a puppet Central Government under Mr. Wang Ching-wei (see paragraphs 15 et seq.). The fall of Nanchang on March 28th, however hopefully its results may have been viewed by the Japanese, had no appreciable effect on the morale of Chungking nor seemed to affect Chinese resistance at large. Despite indications that the ban on negotiations with General Chiang Kai-shek had been lifted in Japan, His Majesty's Ambassador - who visited Chungking in April - was unable to detect in him or in anyone else any inclination to consider peace terms which did not include the withdrawal of Japanese forces from China. The Generalissimo's personal position and his hold on the imagination and loyalty of those about him seemed stronger than ever, and remained unaffected by the criticism of the slowness of the government machinery, of the weakness of some of its members, and of the complacency of the Kuomintang which continued to be heard, especially among junior officials and the Communists.

6. Relations between the Central Government and the province of Yunnan, which had shown itself stubbornly separatist and disinclined, even in the face of the common danger, to throw in its lot wholeheartedly with Chungking, took a decided turn for the better during the spring and early summer. The Governor, General Lung Yun, had watched with misgiving the incursions of the Central Government into his domain under the pressure of their military necessities -

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the building of national highways to the Burma frontier, the establishment of transport services, the transfer of national universities to Kunming, et cetera, and he was touched on the raw when the Central Government claimed a share in the proceeds of exploitation of the natural resources of Yunnan, and the right to make the national currency the standard for the province. But, isolated as he was, he was unable to withstand the pressure, economic and political, which the Generalissimo was able to bring to bear, and he yielded with good grace. At the end of April he was at pains to assure His Majesty's Ambassador of his determination to see the war through under the Generalissimo's leadership, and the appointment a month later of Mr. Chou Chung-yao, an elderly member of the Yunnan Provincial Government and devoted henchman of General Lung Yun, to be Minister of the Interior (the most senior of all the Ministries) set the seal on the new relationship.

7. In August and September the Chinese Government was much concerned with questions of foreign policy arising out of the events in Europe and Japan. The first reaction to the Soviet-German pact and the resignation of the Hiranuma cabinet in Japan was one of jubilation at the embarrassment caused to China's enemy. Any misgivings the Chinese may have had were concealed under the formula that China had no other enemy than Japan, and that since her relations with both Germany and the Union of Soviet Socialist Republics had been particularly cordial in the past there was no reason why they should not continue to be so in the future. It was not long however before the deterioration of the situation in Europe caused the Chinese to ask themselves whether they could continue to rely much longer on the

support/

support of their friends, particularly France and Great Britain. Just before the outbreak of war in Europe there were signs of depression and anxiety in Chungking, and Chinese leaders were professing to find in events such as the Craigie-Arita formula concerning Tientsin and the decision to hand over four Chinese political prisoners in Tientsin proof of a general yielding by Great Britain to Japan which would affect the policy of support for China. The outbreak of hostilities left the Chinese Government somewhat bewildered. Following the example of Japan, the puppet régimes in Peking and Nanking hastened to declare their neutrality. Reactions in Chungking were more complex. General Chiang Kai-shek sent a message to His Majesty's Ambassador on September 5th expressing warm sympathy and admiration for the stand made by His Majesty's Government in Europe. Dr. Kung was believed to favour complete neutrality. Other sections of opinion advocated an immediate declaration of war on Germany, in order to confirm and strengthen British and French obligations to China. A small but influential pro-German section favoured improved relations with the Reich. It was difficult to see where China's interest lay. The sympathies of the Chinese were predominantly on the side of the Allies, and the Central Government would have undoubtedly thrown itself wholeheartedly on that side and have declared war on Germany if it could have been sure of receiving from the Allies the material assistance which was being obtained from Soviet Russia. Such help would have had the additional advantage of releasing the Central Government from their irksome bondage to the Soviets, on which more than ever, as a result of the European hostilities, the Central Government was dependent

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for military supplies. But when this proposal was coldly received by the British and French Governments, Chungking was reluctantly compelled to the conclusion that there was no alternative but to continue its existing uneasy relations with the Soviet Government. These relations were not made less uneasy by the knowledge that the Soviet Government was preparing to enter into discussions with the Japanese Government. With the example of Poland before their eyes, the Changking leaders could not ignore the possibility that they might receive a stab in the back from their former friend.

8. At the fourth plenary session of the People's Political Council, which took place in September, vigorous attacks were renewed on Dr. Kung, and a brief visit paid to Chungking by Mr. T.V. Soong gave rise to rumours that he was to be Dr. Kung's successor. The Generalissimo however personally came forward to defend Dr. Kung and made the issue one of confidence, and Mr. Soong returned to Hongkong.

9. Meanwhile the uncertainties of the international situation and the Japanese Army's rapid drive on Changsha induced another period of dejection, and rumours of impending peace talks revived. But when the Japanese thrust was foiled courage revived, and when His Majesty's Ambassador visited Chungking towards the end of the month he was informed by the Minister for Foreign Affairs that a definite decision had now been reached that there should be no more thought of peace until the end of the war in Europe, when it was hoped that China would be able to obtain at the Conference table, and as part of a general settlement of world affairs, more favourable terms than she could otherwise expect.

10. During September the Central Government was faced
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with a serious problem in an attempted reversion to warlordism on the part of the Szechuen generals. By an exertion of his personal authority General Chiang Kai-shek was able to bring them to heel, but was compelled in the process to take over himself the chairmanship of the Provincial Government. He spent a considerable part of the following month in Chengtu in an attempt to dispose once and for all of the rival claims and jealousies, and though it would be too much to say that these ghosts had been finally laid, it was a tribute to the Generalissimo's prestige and his handling of the situation that until the end of the year under review no further disturbance occurred.

11. The sixth plenary session of the Central Executive Committee of the Kuomintang was held at Chungking in November. The most important of the decisions reached at this Session was that a National People's Congress should be convoked to inaugurate a constitutional form of Government "within the year 1940". November 12th 1940 was subsequently announced as the date of convocation. The decision to summon the Congress and inaugurate the constitutional form of government was clearly intended as a reply to the charges levelled at the Chungking Government by its critics, and particularly by Mr. Wang Ching-wei's "Orthodox" Kuomintang (see paragraph 18) that it had degenerated into a narrow dictatorship.

12. Another important decision was to the effect that General Chiang Kai-shek should resume the Presidency of the Executive Yuan, displacing Dr. H.H. Kung, who became Vice-President of the Yuan but retained the Ministry of Finance. General Chang Chun resigned from the Vice Presidency of the Yuan to make way for Dr. Kung. The reshuffling of these senior posts seemed to be the prelude to a more general

reorganisation/

reorganisation of the government affecting principally the Ministries of Finance and Foreign Affairs. Reference has already been made to the agitation for the removal of Dr. H.H. Kung. It was reported that the Generalissimo had at last been persuaded that his own position and the continuance of the united front was being prejudiced by the presence of Dr. Kung in the government, and had reluctantly decided that he must be sacrificed. The first step, Dr. Kung's removal from the Presidency of the Executive Yuan, was duly taken, but the next step, his removal from the Ministry of Finance, was more difficult. His obvious successor would be Mr. T.V. Soong, but between him and his two brothers-in-law (General Chiang Kai-shek and Dr. Kung) there was no love lost, and though it was reported that the Generalissimo had overcome his personal prejudices sufficiently to offer Mr. Soong the post, no means had been found by the end of the year either to eliminate Dr. Kung altogether, or to make any workable arrangement embracing both him and Mr. Soong in the higher ranks of the Government. As regards the Ministry of Foreign Affairs it was known that the Generalissimo was dissatisfied with Dr. Wang Chung hui. Dr. W.W. Yen was mentioned as his probable successor, but this and all other changes in the Government were held up temporarily by the Japanese advance into Kwangsi, which once again diverted attention from the political to the military situation, and were still in abeyance at the end of the year.

13. A list of the principal office holders in the Central Government on December 31st 1939 follows:-

National/

National Government of Republic of China

Chairman of the National Government

Lin Sen

Chairman of the Military Affairs Commission

Chairman of the Supreme National Defence Council

Director-General (Tsung Ts'ai) of Kuomintang.

Speaker of National People's Political Assembly

President of the Executive Yuan.

Chiang Kai-shek

FIVE YUANS

Vice-President of Executive Yuan

Dr. H.H. Kung

President of Control Yuan

Yu Yu-jen

" " Judicial Yuan

Chu Cheng

" " Legislative Yuan

Sun Fo

" " Examination Yuan

Tai Chi-tao

Executive Yuan.

Minister of Interior

Chou Chung-yueh

" " Foreign Affairs

Dr. Wang Chung-hui

" " Finance

Dr. H.H.Kung
(concurrently)

" " War

General Ho Ying-chin

" " Justice

Hsieh Kuan-sheng

" " Communications

Chiang Kia-ao

" " Economic Affairs

Cong Wen-hao

" " Education

Dr. Ch'en Li-fu

" " Agriculture and Forestation

Ch'en Chi-tang

Minister of Propaganda under Central
Kuomintang

Wang Shih-shieh

It is worth notice that critics who charge the Chungking Government with being a dictatorship are able to point to the fact that General Chiang Kai-shek combines in his own person

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the highest posts both in the Party and on the civil and military sides of the government namely:- Chief Executive (Tsung T'sai) of the Kuomintang; Chairman of the Supreme National Defence Council, and Commander-in-Chief of the National Forces; President of the Executive Yuan, and President of the National People's Political Assembly.

(b) Occupied areas.

14. The "Provisional Government of the Republic of China" in Peking and the "Reformed Government of the Republic of China" in Nanking had taken shape in 1938 and at the turn of the year the Japanese were exerting all their efforts to bring about a federation of the occupied areas. The initial difficulty with which they were faced was that of finding a suitable candidate for the post of provisional president of the federation. Mr. Tong Shao-yi had been assassinated, General Wu Pei-fu was making impossible conditions. Meanwhile, as a temporary expedient, a joint commission or, as it came to be called, a "United Council" of the two Administrations was set up which, at periodical meetings, discussed the more pressing problems arising out of the divided jurisdiction.

15. Now, however, occurred an event which was to have far reaching consequences. In the last days of the year Mr. Wang Ching-wei suddenly left Chungking for Hanoi, whence he issued a message declaring his disapproval of the policy of continued military resistance to Japan, and calling on General Chiang Kai-shek to accept the statement which Prince Konoye had made a few days earlier (December 22nd) as a basis for peace negotiations. If Mr. Wang hoped that his appeal would meet with a ready response in Chungking he must have been bitterly disappointed, for not a single important

member of the government or party except his own brother-in law, Dr. Tsu Min-yi, (who had long lived in Shanghai) showed any eagerness to follow him into the wilderness. At a special meeting of the Central Executive Committee of the Kuomintang on December 31st he was branded as a traitor, deprived of his posts and expelled from the Party. For the Japanese Mr. Wang's breach with Chungking seemed to be the beginning of the end of their troubles. Here to their hand was the man they wanted: the Deputy Executive of the Kuomintang, the President of the People's Political Council and the most compelling public speaker in the country. At first Mr. Wang was unresponsive to the Japanese advances, since it was not his intention to become a Japanese puppet, and, disappointed, the Japanese turned once again to General Wu Pei-fu on whom, however, their blandishments were without effect.

16. Meanwhile Mr. Wang Ching-wei stayed on in Hanbi. On March 21st an attempt was made to assassinate him. Though he escaped unhurt, Mr. Tseng Chung-ming, one of his closest associates who had accompanied him from Chungking, was killed. This outrage, most probably instigated by Chungking, seemed to overcome any scruples Mr. Wang might have had about severing his connexion with the Central Government and set his feet irrevocably in the direction of Japan. At the beginning of June he visited Tokyo, for the purpose of satisfying himself, as he said, that Prince Konoye's and his own peace proposals "could be made a living reality". He received assurances that the Japanese Government still stood firm on the promises contained in the Konoye statement of December 1938, namely that the Japanese would demand as a condition of peace neither indemnity nor annexation of territory nor interference with the sovereignty of China.

17. Professing to be convinced that the Japanese were acting in good faith, Mr. Wang returned to China and threw himself wholeheartedly into the movement for the establishment of a new anti-Chiang Kai-shek Central Government of China. He visited Peking, Nanking and Canton, and it was reported that plans were being hastened for the establishment of the new Federal Government, which should supersede both the Provisional Government at Peking and the Reformed Government at Nanking, on the 7th July, the second anniversary of the outbreak of hostilities. The arrangements, however, hung fire, and it became evident that the obstacles to the establishment of the proposed new régime were not to be easily overcome. Neither of the existing régimes was prepared to surrender its identity and perquisites without a struggle; and the situation was complicated by a difference of views between their Japanese military masters as to the nature of the future relationship of North China to the central government.

18. While the plans for the establishment of the new government remained in suspense Mr. Wang made a bid for Chinese public support by calling together at Shanghai in August a conference of his adherents which was described as the "Sixth National Congress of the Kuomintang" and for which the claim was made that it was the legal successor of the line of Congresses which ended with the Emergency Congress held at Hankow in March 1938, and therefore the guardian of the orthodox doctrine bequeathed by the late Dr. Sun Yat-sen. It was attended by 240 persons of whom none were of any note, and whose claim to speak in the name of the Kuomintang was, to say the least, open to doubt. Nevertheless the meeting declared null and void all decisions taken by the governing
bodies/

bodies of the Kuomintang since Mr. Wang's expulsion at the end of 1938, called on all members of the Party to escape from the "Communist-ridden tyranny of Chungking", deprived General Chiang Kai-shek of the post of Tsung Ts'ai (General Executive), elected Mr. Wang Ching-wei Chairman of the Central Executive Committee and empowered him to nominate a Central Political Council to assist him in developing his plans for peace and cooperation with Japan. The Congress also issued a long manifesto, which, while of interest as a statement of the policy which Mr. Wang would carry out if appointed head of a Government of China, seemed somewhat academic at the time.

19. Meanwhile Mr. Wang established himself in Shanghai. In the middle of September he attended a meeting at Nanking of the "United Council" of the Provisional and Reformed Governments, whereafter both these governments issued declarations of unqualified support for him, his peace movement and the new Central Government. All mention of a possible date for the inauguration of the new government was however avoided, and at the end of the year the government had still not come into existence. What were the reasons for this delay? It seems clear that the Japanese had by this time come to see in Mr. Wang Ching-wei their only hope of establishing a Chinese government and extricating themselves from their difficulties, and that Mr. Wang, realising the strength of his position, was insisting on terms which the Japanese were unable or reluctant to concede: the withdrawal of Japanese troops by progressive stages beginning even before the inauguration of the government, and genuine economic cooperation instead of Japanese domination disguised as such. Obviously if Mr. Wang was to justify his actions

in the eyes of the Chinese people and to secure public support he must produce proof that he was something more than a mere puppet of the Japanese Army, and he put forward these arguments with such success that by the end of the year it was said that the Japanese Government had reached the conclusion that they must allow him real independence since they appreciated that his - and their - only hope of success lay therein.

20. First steps for the creation of an army for the projected Central Government were taken on December 9th when a Central Military Officers Training College was opened at Shanghai in the presence of Mr. Wang Ching-wei with an enrolment of about a thousand, some of them new cadets, others ex-officers of various Chinese provincial armies.

21. Of the minor puppet administrations little need be said. Such administrations were set up everywhere in the wake of the Japanese occupation. They started as Peace Maintenance Committees which were little more than buffers between the conquerors and the conquered, and for the most part they have so remained. In some places development has been pushed a stage further. In Tientsin, Peking, Tsingtao, Shanghai, Hankow and Canton and some other places municipal governments of a more permanent character have been established. In Hopei, Shantung, Hupeh and Kwangtung there are provincial governments, though the scope of their jurisdiction is severely circumscribed by the competing organisations owing allegiance to Chungking.

(c) Area of Japanese Occupation.

22. Owing to the presence of large bodies of Chinese guerrillas behind the posts held by the Japanese it is difficult to define the exact area claimed to be under

Japanese/

Japanese control. The line of the foremost positions permanently held by the Japanese in North and Central China is believed to be roughly as follows:-

Paotow (in Suiyuan) to Kweihua, then South, along a line a few miles west of the Shansi Railway, to Puchow; then East along the North bank of the Yellow River to Sinsiang, across the river to Kaifeng, south west to Siangyang in Hupei, south across the Yangtse to Yochow, west to Nanchang; then down the right bank of the Yangtse to Wuhu, and thence to Hangchow and the sea. (All places named are in Japanese occupation).

23. Inside this area are large pockets of Chinese forces. The most important is the railway quadrilateral Tatung-Peking-Chengting-Taiyuan which is occupied by the Communist forces who have easy communication south and west with the Chinese forces in free China. It is in this area that functions the so-called "Border Government" mentioned in the Annual Report for 1938. Other large Chinese pockets are (a) the hilly Shantung country south of the Tsingtao-Tsinan Railway; (b) the area between the Tientsin-Pukow and Peking-Hankow Railways, extending northwards to Hokien and southwards to Tungchang; (c) North Kiangsu East of the Grand Canal, from Fowning in the North to within a few miles of the Yangtse on the south.

24. In South China the Japanese occupation extends to (a) the ports of Amoy and Swatow; (b) the immediate hinterland of Hongkong, the city of Canton, the Pearl River, the Canton-Kowloon Railway and the first 50 miles of the Canton-Hankow Railway north of Canton; (c) Pakhoi and Nanning and the line of communication between these places.

(d) Mongolia.

25. The Kwantung Army further strengthened its hold on Inner Mongolia during the year. On the 1st September the loose federation known as the "Mongolian Frontier Joint Commission" or "Meng Chiang Federation" embracing three Japanese-sponsored governments called (1) the South Chahar Autonomous Government (capital Kalgan); (2) the North Shansi Autonomous Government (capital Tatung); and (3) the Autonomous Government of the United Leagues of Mongolia (capital Houho formerly Kweihua) was converted into the "Federated Autonomous Government of Mongolia". Prince Teh was "elected" Chairman of the new administration and a constitution was adopted whereby the government would be in the hands of the Chairman, assisted by a Vice Chairman, a State Council, a Judicial Yuan and a Political Yuan. The last mentioned was given administrative responsibilities, but these did not include military or foreign affairs, which it was clearly the intention of the Japanese to retain in their own hands. The constitution, however, seemed to permit of the retention of some degree of local autonomy by means of the establishment of two "special regional administrations" for South Chahar and North Shansi, with capitals at Kalgan and Tatung respectively, to control the areas formerly under the special autonomous governments, the ex-Chairmen of which were nominated to the corresponding appointments in these newly constituted provincial regimes.

26. The objectives of this particular manoeuvre were doubtless both political and strategic. Politically, the emphasis on the Mongol nature of the administration, as illustrated, for example, by its title and by the choice of Prince Teh as its first Chairman, indicated that it was

primarily/

primarily Mongolian sentiment that Japan was attempting to seduce, with a view to checking the southward infiltration of communistic doctrines through Outer Mongolia. About Prince Teh's loyalty to the Japanese there is room for much doubt for it is known that he was in secret touch with General Chiang Kai-shek. Chinese influence was however predominant in Chahar and Shansi, and it is likely that the nominal survival of some degree of local administrative independence, as described above, was permitted as a sop to local Chinese susceptibilities. The strategic motive was manifestly to strengthen the Mongol buffer state between the Japanese and Soviet expanding spheres of influence in a zone about whose vulnerability the Japanese had long been apprehensive.

27. In the economic sphere, while first-hand information is lacking owing to the restricted conditions of travel in Inner Mongolia, it is certain that the Japanese are pursuing in these regions the same tactics of monopolistic exploitation, under the thin veil of cooperative development, as in other parts of China, and with the same intensity of purpose. The economic purpose of such exploitation is clearly subordinate to the strategic purpose, the basic motive being to build up a solid nucleus of Japanese settlement as a centre for Japanese administrative control and influence.

28. Accurate information regarding the actual extent of Japanese military penetration into Inner Mongolia is difficult to obtain, but it is doubtful if the Japanese exercise more than a nominal military control beyond an imaginary line running north and south just west of Paot'ou, which according to recent observers is the most north-westerly of their military concentration points, and reaching northwards/

northwards as far as the neighbourhood of Pailingmiao. Even between Kalgan and Paot'ou regular Japanese control is only maintained along the railway zones.

29. As regards that part of Mongolia to which the name Alashan is generally applied, which lies to the west alongside the Ordos regions of Suiyuan and which is now largely incorporated in the province of Ninghsia, it is situated a considerable distance to the west beyond the areas where the Japanese can be described as being strongly established, and it is still under the government of a provincial administration of the Chinese Central Government.

30. It is generally credited that the Japanese have for a long time cast longing eyes on the north-west provinces of China with a view to creating a buffer against the expansion southwards into China of Soviet influence through Outer Mongolia and the province of Sinkiang (Chinese Turkestan), and the despatch of Japanese emissaries into Ninghsia and Chinghai, as well as Sinkiang, to conduct propagandist activities with a view to creating disaffection among the inhabitants, of whom a considerable number are Mohammedans, has been rumoured on more than one occasion.

31. It is also known that the Japanese have been for some time deliberately attempting to exploit the religious susceptibilities of the inhabitants of these "frontier" regions with a view to undermining their loyalty to their present territorial sovereign authorities. Posing indiscriminately as the champions of Buddhism (in the case of Mongols and Tibetans in particular) and of Mohammedanism (in the case of the Turkis and Tungans of Sinkiang and the large numerous Mohammedan communities in the other provinces of North China), the Japanese have during the last few years
been/

been studiously cultivating such dignitaries of these faiths as could be won over to the cause of Japan by gold or flattery, with a view to sending them back eventually to their native districts to disseminate Japanese propaganda among their simple coreligionists.

(e) Sinkiang.

32. In the early part of the year it was reported that Russian troops were moving through Sinkiang to the Kansu border where defences were being constructed against a possible Japanese drive westwards from Inner Mongolia. Similar reports were received throughout the year, but it was difficult to know what importance to attach to them or the exact significance of the movements which were reported.

33. It is alleged that at some time during the year an agreement was signed between the Chinese Central Government and the Union of Soviet Socialist Republics whereby, in return for the supply of Russian arms and ammunition, the Chinese Government conceded the following points: (1) Sinkiang Province to be given complete independence; (2) more Soviet political and military agents to be admitted into China; (3) Russia to be permitted to construct railways in Sinkiang and on to Lanchow in Kansu; (4) Russia to have the right to exploit oil and gold mining in Sinkiang. Although the exactness of this report has not been verified it seems certain that Sinkiang has now become a Soviet dependency. While both the Soviet Government and the Chinese Governor of the province maintain vis-a-vis third parties the fiction of the province's allegiance to the Central Government, this is merely a convenient subterfuge to enable awkward questions to be put aside.

34. In pursuance of the policy of making the province a
close/

close preserve of the Soviet the persecution of British subjects and interests throughout the province was continued until at the end of the year these were practically non-existent, and the British Consulate General at Kashgar itself was only being maintained in face of increasing difficulties. His Majesty's Consul General, who visited Urumchi in July to discuss these grievances with the Provincial Government direct, was put off with a polite denial that any such persecution existed. His conclusion was that the Provincial Government was now but a tool in the hands of the Soviet Union, and that the real authority was exercised by the Soviet "Advisers" in the Government departments and the Russian military officers at the various headquarters.