

United States Economic and Military Assistance Policy  
" Toward China During World War II and  
Its Immediate Aftermath

by

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U.S. Economic and Military Assistance  
Policy Toward China During World War II  
and Its Immediate Aftermath

Volume I

## ABSTRACT

This study traces the background and development of the U.S. assistance policy toward China in the late 1930's and throughout the 1940's. This aid took place in numerous forms but mostly via U.S. government programs. Operation of Lend-Lease assistance occupies a major part of this study, which was definitely the first major commitment of the U.S. resources for the large scale reconstruction of another country's economy. Although the aid given during wartime was basically intended to strengthen the capacity of China to resist the Japanese aggression, all U.S. aid programs had far reaching effects on China's post-war industrialization and economic development. Besides Lend-Lease, the other major U.S. programs to aid China were participation in the operation of UNRRA and the dispatch of an American War Production Mission to China. The short term objective of tying down three million Japanese soldiers in China superseded America's long-term objective of a unified, democratic and friendly China.

Although U.S. aid programs to China failed to achieve a major success owing to the corruption of Kuomintang officials, an outbreak of intensive civil war, and also lack of proper coordination and information about China's actual situation, it profoundly affected the United States' later relations and assistance policy toward other countries. The U.S. emerged as a major economic giant to influence the reconstruction and development of the global economy. On the other hand, China's process of westernization was largely begun because of this U.S. aid effort.

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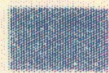
# THE WORLD AND LEND-LEASE



UNITED NATIONS ARE INDICATED BY THEIR FLAGS



United States



Countries eligible  
for Lend-lease aid



Areas controlled  
by United Nations



Neutral countries  
not eligible for  
Lend-lease aid



Axis and Axis-  
occupied areas



BELGIUM

CZECHOSLOVAKIA

GREECE

LUXEMBOURG

NETHERLANDS

NORWAY

PHILIPPINES

POLAND

YUGOSLAVIA

September 1, 1943

*Argentina, although declared eligible with all other Axis Republics, has received no aid under the Lend-Lease program.*

Source: Edward Stettinius, Jr. Lend-Lease Weapons for Victory.

## Introduction

This study traces the evolution of United States' policy generating its relations with China in the 1930's and 1940's and sets forth the implementation of that policy. Because China was at war during the period, the policy debate concerned itself primarily with aid and the purposes of aid. The study emphasizes U.S. Lend-Lease aid to China, the activities of the United Nations Relief and Rehabilitation Administration (which to all intents and purposes was a U.S. program), and the American War Production Mission to China. Although the aid given during wartime was primarily intended to strengthen the military capacity of China to resist Japan, all of these programs had farreaching effects on China's post-war industrialization and economic development.

When the U.S. entered the war against Japan two possibly conflicting purposes for the aid emerged. On the one hand, the U.S. wanted the Chinese to tie down as large a part of the Japanese army as possible, so that American forces would be spared the necessity of fighting the entire Japanese army. On the other hand, Roosevelt looked to the postwar period and wanted a strong, independent China for a postwar ally. This study explores the history of military and economic co-operation between the U.S. and China during a critical period of U.S. and Chinese history, always with a view of the two underlying purposes. The hypothesis is to show that of the two purposes of aid to China, the short-term purpose of keeping China in

the war was achieved. The long-term purpose of building a unified post-war China to fill the power vacuum left by the defeat of Japan and also to be a strong ally of the United States was not achieved. However, attention must be drawn to the fact that besides military aid, the U.S. government did conduct for eight years in the 1940's a constructive program aimed directly at offering assistance to China for the development of her industries, agriculture, transportation, education, public health, economy and finances. From 1842, the United States had encouraged Chinese sovereignty and opposed the European powers' plan to cut up China like a watermelon. One result was John Hay's "open door" policy of 1898. For their part, the Chinese looked toward the American "red hair" barbarians as better barbarians than the other Western barbarians. Although American leaders held a sympathetic view of Chinese sovereignty, they were not willing to support China openly against Japan and the Europeans. Typical of U.S. policy was the Stimson Doctrine of Non-Recognition, enunciated in 1931, which merely refused to recognize the situation in China created by Japanese invasion. The Chinese, understandably, were pressing the American government for both political support and military assistance against Japan.

It took a long time for China to convince Franklin D. Roosevelt's administration and the Congress to change its traditional policy of isolationism. The U.S. Treasury Secretary, Henry Morgenthau Jr., the State Department's Far Eastern Division Chief, Stanley K. Hornbeck, and the U.S. Ambassador to China, Nelson T. Johnson, were influential in persuading the administration to grant a silver purchase loan to China in 1938, which marked the

beginning of American assistance. This study seeks, first, to examine the gradual evolution of American policy toward China culminating in the passage of the Lend-Lease Act of March, 1941 and the official declaration of China's eligibility for Lend-Lease aid. This first chapter rests principally on an examination of secondary sources and official but unpublished histories of the Lend-Lease Administration available at the National Archives and Record Center, Suitland, Maryland, and the Foreign Relations of the United States (FRUS).

The passage of the Lend-Lease Act by the U.S. Congress, authorized FDR to supply necessary war supplies to the friendly countries fighting against the Axis powers. Chinese lobbying efforts, plus FDR's desire to make China a great post-war ally led him to promptly approve Lend-Lease assistance to China. China, however, needed virtually everything. U.S. Lend-Lease Assistance to China can be divided into civilian and military. Military Lend-Lease assistance was for direct use in fighting Japan, while the civilian Lend-Lease program was to help keep the civilian economy intact, thus indirectly contributing to the war effort. The development of the Burma Road, the reconstruction of Chinese railways, supply of trucks, malaria control, tire production, supply of arsenal materials and medicine fell into this category. Civilian Lend-Lease got little preference during wartime.

The second chapter examines and sets forth the different forms of civilian Lend-Lease aid to China during the period 1941-1946. In addition to the secondary sources, congressional hearings, and United States Army documents on Lend-Lease from the International

Division of the Army Supply Forces were consulted. Documents from the John D. Sumner file at the Truman Library, Independence, Missouri, from the Harry L. Hopkins file, FDR Library, Hyde Park, New York and from Foreign Relations of the United States (FRUS) contributed much to this chapter.

The main thrust of Lend-Lease assistance was for military purposes and the United States sent vast amounts of military equipment to China. After the fall of Burma and the occupation of the Burma Road by Japan, huge amounts of military supplies were stockpiled in India and the U.S., to be moved into China by air over the "Hump." The United States provided arms, ammunition, training, planes and other war material to China. Chapter Three examines the pressure as manifested in conferences of war leaders concerning aid such as the Cairo conference, at which the U.S. granted increasing amounts of Lend-Lease assistance to China for her Air Force.

The dispute between Stilwell and Chiang over Lend-Lease aid and the questions of training Chinese soldiers and of the Chinese contribution in the war have been inadequately if vividly discussed. Charles Romanus and Riley Sunderland's Stilwell's Mission to China (Washington: Dept. of the Army, 1953), and Stilwell's Command Problems (Washington: Dept. of the Army, 1956) were frequently used in this study. Also helpful was Chin-tung Liang's General Stilwell in China: The Full Story (New York: St. Johns University Press, 1972), which came out in 1972 as a kind of primary document on U.S.-Chinese relations from 1942 until 1944. Although Chin-tung Liang's work is mostly critical of Stilwell, it gives a vivid description of the Currie-Chiang meeting, during FDR's advisor Lauchlin Currie's

second visit to China in July, 1942, sources for which are completely lacking in the FDR Library and in the National Archives. The primary materials for the third chapter were the P.S.F. Subject Files, of the Harry S. Truman Library, PSF Diplomatic files of the FDR Library; the State Department Decimal File, and Naval Aide Files of the Harry S. Truman Library; the Congressional Record; the papers of the Harry S. Truman, Official File, FRUS, 1943, 1944, 1945; and documents of the International Division, A.S.F., Lend-Lease as of September 30, 1945.

The United States, while strengthening China militarily, had the long-range object of developing China industrially and economically. The UNRRA Relief and Rehabilitation Administration, (United Nations) was created in November, 1943 and its primary object was to assist China in meeting immediate wartime problems by carrying on different sorts of relief work. Also, it outlined the broader picture of a future or post-war overall economic development plan for China. The main financier of the UNRRA was the U.S. and through U.S. influence China became the main UNRRA recipient country and received 72% of total UNRRA supplies. For chapter five, I have made use of Congressional hearings and records, several doctoral dissertations, UNRRA periodicals and publications, the UNRRA Operational Analysis Papers (Washington, D.C.: UNRRA, 1948), State Department Decimal File (UNRRA); the papers of Harry S. Truman, and the Report of the Director General to the Council July 1947 to December 1947 (Washington, D.C.: UNRRA, April 1948).

After the surrender of Japan, the U.S. faced two problems in its program to unify and strengthen China, the repatriation of

Japanese soldiers and the settlement of the Kuominang-Communist conflict. U.S. Representatives, John Patrick Hurley and General George C. Marshall, undertook mediation efforts, and the U.S. continued to supply assistance to the Chiang Kai-shek government. Following the war's end, military assistance to China was extended, but its nature was completely different from that of wartime. One contention is that this continued provision of war supplies encouraged Chiang to be stubborn about the CCP and caused the Communists to lose all faith in America. That led to the breakdown of Marshall's peace negotiations and, ultimately, to civil war.

The sixth chapter examines the reasons for continuation of military Lend-Lease to China after the end of the war, and its nature and impact on U.S.-China relations. In addition to FRUS, Congressional Records, and newspapers, I have used the papers of Harry S. Truman, President's Secretary's File (Subject File) and Official File (OF) in the Harry S. Truman Library, and the Department of State Decimal File 1945-49. The General Albert C. Wedemeyer Files in Suitland also were helpful in this regard, as were the papers of George Elsey, and General Records of the Department of State (Decimal File), Naval Aide Files.

The fourth chapter focuses on the actions of American War Production Mission's activities in China and the eventual formation of the Chinese War Production Board in 1944. The United States not only supplied war materials, but also tried to transfer its experience in wartime production management through creation of a War Production Board in China. Donald M. Nelson and later on E. A. Locke carried out the activities of the Production Mission in China.

which lasted from November, 1944 until November, 1945. The American War Production Mission formed a Chinese War Production Board and tried to increase production in different sectors. They were working not only to meet the war's needs, but also had in mind a post-war economic development plan which eventually would transform China into an industrialized country and thereby eliminate poverty and Communism. Although the War Production Mission experts were initially successful in raising production in several sectors in early 1945, production came to a standstill later on.

Mabel Taylor Gragg's "History of the American War Production Mission in China," has provided the most informative and descriptive account, to date, of the Mission's activities in China. Besides this, newspaper clippings from the American War Production Mission File in the FDR Library were a great help. The John D. Sumner papers, E. A. Locke papers, and Clayton-Thorp papers, in the Harry S. Truman Library and the AWPM papers at the FDR Library also served in this regard.

Important works in the preparation of this study were: Michael Schaller, U.S. Crusade in China: 1938-1945 (New York: Columbia Univ. Press, 1979); Arthur Young, China and the Helping Hand: 1937-1945 (Cambridge, Mass: Harvard Univ. Press, 1963); Tang Tsou, America's Failure in China, 1941-1945 (Chicago: Univ. of Chicago Press, 1963); Akira Iriye, Across the Pacific (Chicago: Univ. of Chicago Press, 1965); Herbert Feis, The China Tangle (Princeton, N.J.: Princeton Univ. Press, 1953); and Warren I. Cohen, America's Response to China (New York: John Wiley & Sons, 1971). Michael Schaller's work, U.S. Crusade in China, 1938-1945 is a remarkable work. Schaller offers a



critical analysis of the U.S. Lend-Lease policy toward China. However, he blamed the KMT for failures and problems in the aid program and often overlooked positive results of Lend-Lease assistance to China. Arthur Young, China and the Helping Hand contains a huge amount of information on financial assistance to China by the U.S. and other countries. He had served as a Financial Advisor to the Chiang Kai-shek government and his study represents a one-sided support for Chiang's activities. The work provides little discussion of political aspects of U.S.-China relations nor does it provide a critical analysis of the U.S. policy in this regard. Tang-Tsou's America's Failure in China, tries to present an impartial analysis of U.S. policy with regard to China, but, again, it suffers from lack of enough information about economic and financial issues. William P. Head, in America's China Sojourn (Lanham, New York: University Press of America, 1983), discusses specific aspects of Sino-American relations during wartime, instead of talking about the overall relationship. Anthony Kubek's How the Far East Was Lost (New York: Twin Circle Publishing, 1972) reflects an extremely radical, right-wing approach to Sino-American relations. Kubek sees only the imperfections or shortcomings of Sino-American relations, as a result of which China went into the hands of the CCP. Akira Iriye, Across the Pacific and W. I. Cohen, America's Response to China, are by far the two most objective works on Sino-American relations, but they give little attention to Lend-Lease and other economic assistance programs. The present study responds to a demonstrated need for analysis of U.S. wartime and postwar assistance to China.

In certain important respects, U.S. aid programs to China represented the first full scale commitment of American resources and policies to influence the domestic and international circumstances of another country. While the United States had established modest economic development and military assistance programs in Latin America somewhat earlier, the aid effort in China, because of its complexity and magnitude, served as a laboratory to a significant degree for the enormous aid initiative that was to be embraced by the United States over the next decade. The Lend-Lease aid program in general represented the first major U.S. effort to strengthen and rebuild its allies throughout the whole world. There is no doubt that the main intention of the Lend-Lease was to support the allied powers against the Axis. But in China, the successful execution of the war depended on a wholesale development of reconstruction of her economy, and this effort had a tremendous effect on China's post-war economic development. China's road transportation, railways, communications, industries and agriculture were affected by the war. For a successful execution of the war, it was necessary either to bring all needed materials to China from the U.S. or to develop these aspects of the Chinese economy. Under Lend-Lease assistance program the United States provided all kinds of materials related to the execution of war, and since 1943, it adopted different measures to rebuild China for both the war and post-war purposes. During the wartime, massive Lend-Lease aid was also given to Britain, the USSR, France, and French North Africa, but only in China was the U.S. concerned with a permanent cure for her national sickness. Even the Foreign Economic Administration

which was established in 1943 for the purpose of coordinating different U.S. wartime programs, adopted a program for China's industrial development. Its reports and recommendations were later handed over to the Chinese government, after the War Production Board was established.

Since it was the first time that the U.S. had undergone this kind of experience, the U.S. wartime assistance policy toward China was often conducted on a trial and error basis. There was often a conflict of opinion between the State Department and the U.S. Embassy officials in China concerning the need and amount of aid. The Chinese delegates in Washington often persuaded the administration to supply a large amount of military and economic aid which was opposed by the U.S. diplomats and military officials who were familiar with the Chinese realities. Lack of strict U.S. supervision of the use of assistance goods led to abuses and corruption among the Chinese officials. Most of the goods, money, gold, and war materials were either stolen by the higher KMT officials or were hoarded by the government to fight the Communists in the post-war period. This flaw of U.S. aid goods largely came from its inability to investigate the ways of using it.

The myth of the China market and a prosperous commercial relation with China had haunted the American mind for a long time and this was partly responsible for U.S. economic assistance to China. The U.S. officials like John Carter Vincent believed that trade is only possible with China once China was established as the stabilizing factor in Asia. By influencing its economic development and by offering military assistance against Japan,

against the USSR and against the Chinese Communists, the United States was trying to bring stabilization in China. It was further held by the US officials that trade relations between China and America would safeguard American business enterprises in China and through selling materials China could pay back the U.S. debt. Moreover, improvement of transportation and communication would also integrate the agricultural and industrial economies. A strong democratic government was necessary for playing a bigger role in the development business in China. From an economic point of view, U.S. officials believed that industrialization would enhance imports and exports and increase revenues with the result that China would truly be independent and an active U.S. trade partner.

Consistent with the above thinking, a basic U.S. policy was to encourage industrialization in the hope that poverty and Communism would be eliminated in China. It would also help to establish a capitalist, democratic and pro-American society in China once the war was over. It was a U.S. way of curbing Chinese poverty with a Chinese "New Deal." But all these efforts of the United States to industrialize China ended in vain. This study will indicate that one cannot simply impose sudden changes on another country unless it allies itself with forces in that country which desire change and are capable of changing. America allied itself with forces which would resist change, i.e., the Kuomintang (KMT), and ignored the Communists who were capable of bringing changes in China. This study will throw some light on the problems of bringing about changes in another country.

One of the most interesting characteristics of Sino-American

relations during the war was that the United States was frequently pressed by China to increase the amount of unregulated and lump-sum assistance to China. Due to its wartime and post-war visions with regard to China, the US administration, especially between the period from Arcadia to Cairo Conferences, frequently yielded to Chinese threats and manipulation. This definitely represented the development of a client-state relationship in which the client manipulated its mentor. Moreover, aid to China represented an emotional issue on America's part, and without looking at the realities, aid was given on a lump-sum and uncoordinated basis.

U.S. wartime efforts to influence and assist China had a common purpose, which was to ensure a friendly, anti-Communist administration. It hoped to achieve this aim by offering economic and military assistance for its overall development and security. Instead of direct military intervention, it was an indirect way of doing things. America's efforts involved sending supplies, experts, equipment, food, and building materials. However, they were unable to supervise the actual use of all the equipment and supplies which they sent. The experts were either not allowed by the KMT government to investigate the real situation or were unable to do so because of the outbreak of the civil war. The only U.S. officials who were in touch with the real situation in China were the OSS, military officials, and certain China hands (some of the diplomats in the U.S. Embassy like John Carter Vincent, John Patton Davies, and John Stuart Service). They were either suppressed by the SACO's Chinese officials, however, or by John Patrick Hurley and his group at the urgings of Chiang Kai-shek. Anyhow, the dispatch of American

experts and specialists, military officials, and technicians to advise and work in foreign countries was a new thing and naturally would involve stumbling and fumbling in its initial stages. Still, it was a novel experience on the part of the U.S. in the sense that, in the post-war period this experience of sending American experts to another country became a major factor in influencing the development procedure of that country. The introduction of civilian and military officials of other nations to the U.S. was another novel innovation. It symbolized the dawn of a new era in American history in the sense that the underdeveloped nations around the world began to send their students, technicians, and engineers in a massive scale to the USA, or expected America to send its own experts to train their nationals. In short, through its China assistance program, the US emerged as the workshop for creative expertise. America was just beginning to act as a world power and was replacing the British in many respects.

The China aid experience was also an important episode in U.S. diplomacy because it emerged as a financial imperialist. The U.S. proved itself completely capable of taking responsibility for the reconstruction and development of other nations. Third world nations became increasingly dependent on this financial giant for help with economic development. Even rotten and corrupt dictators became friendly toward the United States. As a result of its China aid experience the U.S. learned some important lessons which guided its future military and economic assistance policy toward other nations. It could no longer trust an ally like Chiang Kai-shek. The U.S. administration later realized that during the war Chiang

Kai-shek on his side and the American government on its side were pursuing quite different and often antagonistic purposes. The U.S. was fighting Japan, and it wanted to see that everyone who wanted to fight Japan was spurred on. Chiang Kai-shek, on the other hand, was interested in surviving as a government. He was not trying to fight Japan at all. The U.S. military people rated the China-Burma-India theater far below Europe or the Pacific Theater. Therefore, FDR sought to make up what he could not do in fact for Chiang Kai-shek by promising a postwar world in which China would emerge as a great power.

This China experience later helped the U.S. War Department and the administration in general to take a more realistic conception about another country's military potentiality and its willingness to fight a war. The presence of the U.S. ground forces, along with its military assistance to vulnerable areas became a part of its military aid. System for strict supervision of the use of its assistance goods was introduced. During the Korean War and later in the Vietnam War, U.S. ground forces actively participated. The U.S. did not merely try to train the foreign troops and rely on them. What the U.S. did not learn was how to compel the aid recipient country's armies to assume active participation in the war.

Despite the positive outcomes of the China aid policy, the United States failed to ally itself with the force that proved capable of unifying the country. As a consequence, its relations with Communist China deteriorated for twenty years after 1949. Anti-communism dictated support of corrupt regimes against popular democratic forces in many countries, as in Pakistan, Iran, and in

Nicaragua. Moreover, as it did with the KMT China, the U.S. in post-war decades did not make land reforms or other political and economic reforms a precondition of its financial assistance program. Consequently, American assistance most of the time failed to bring an overall change in the economy of many countries. It only brought changes in few sectors of the aid recipient countries.

The "negative" results of China aid experience must be viewed in perspective. When we compare China's circumstances with those of European countries at the time of the Marshall Plan, it is clear that all the elements present in Europe which made for the success of U.S. aid were absent in China. In the European countries, political unity, highly disciplined populations, highly trained and educated elites to run the industries and economy and a highly developed capitalistic system were present. In Europe, the industrial revolution had taken place more than one hundred years earlier in some regions. The U.S. was helping people who had the will to be helped. The great trouble in China was that there was not that will nor was there a stable government to implement that will. The people were not supporting Chiang Kai-shek and he would not do the things he had to do to achieve the results he wanted to achieve.

In part, as a reaction to the China aid experience, the U.S. introduced the Truman Doctrine, Marshall Plan, NATO, and SEATO. Whereas China aid was a bi-lateral arrangement between the two countries (i.e., the U.S. and China) the ERP, NATO, and SEATO were multilateral--arrangements in which a number of countries were allied with each other as well as with the U.S. In fact, the U.S.



aid experience to China led to a changed mode of international behavior. It led to the provision of a huge amount of military and economic assistance to several South-east Asian and European countries to check the spread of Communism. We may claim that the China aid experience was the genesis of long-term aid to other countries. It set important precedents for the formation of SEATO and CENTO. In all cases, following the Chinese model, the U.S. gave massive amounts of military and civilian aid directly to the ruling elites of these countries. Perhaps fearing instability or charges of interventionist muddling, the U.S. did not ally itself with the progressive elements in Vietnam, Indonesia, Pakistan, and Iran. The policy of "containment" won over a policy of encouraging evolutionary or revolutionary change.

## Chapter One

Setting The Stage: Beginning of American Economic Assistance to  
China: 1931-1941



CHINA IN THE 1940's · LOCATING PLACES CITED IN THE TEXT

Source: Wilma Fairbank, America's Cultural Experiment in China, 1942, 1949.

China, a country with an area one third larger than the continental United States, became a victim of fascist Japanese aggression in Asia before the outbreak of the Second World War. On September 18, 1931, Japanese militarists began a long-planned drive to expand their empire on the Asiatic mainland with the invasion of Manchuria, which had for long been an integral part of China.<sup>1</sup> On the pretext of the damage of thirty-one inches of railway track by Chinese troops, the Japanese moved into Manchuria. Chinese officials denied any kind of involvement.<sup>2</sup> After the capture of Mukden, the Japanese established the puppet State of Manchukuo and started a program of intensive industrialization. Manchuria, however, was only the initial stage of Japan's program for Asia. With possession of its rich coal and iron deposits, the Japanese could use Manchuria as a gateway to Eastern Siberia and Northern China. Six years later, the Manchurian incident and its consequences led to a clash between Chinese and Japanese troops at the Marco Polo Bridge outside Beijing on July 7, 1937, which marked the active resumption of hostilities between China and Japan.<sup>3</sup>

Some historians suggest that "it was the Chinese Communists who caused the Marco Polo Bridge incident by shooting at the Japanese soldiers. Whatever might have been the case, in invading Manchuria Japan had chosen a very favorable time. China was in a weak position to resist the Japanese attack. After Dr. Sun Yat Sen's death in 1925 China had "bogged down" in civil war.<sup>4</sup> Although Chiang Kai-shek conquered Peking in 1928, China did not immediately become a

unified nation. Warlords were still active in various regions and China was virtually divided among them. The Cantonese faction in the Central Committee of the Kuomintang left Nanking and established a separate administration in Canton in the summer of 1931. On the other hand, under the leadership of Mao-Tse-tung and Chu Yeh the Chinese Communists emerged as another important element in Chinese politics.<sup>5</sup>

On the administrative side, the Kuomintang [KMT] exercised firm control only in two provinces and political control in eight others. At the local level the KMT depended upon the support of established elites, usually landlords and this alliance with landlords alienated the peasantry. A small group centered on Chiang Kai-shek held power within the party. The Military Council, headed by Chiang, held almost exclusive administrative power.<sup>6</sup> Generalissimo Chiang Kai-shek always tried to maintain his personal rule by playing one party faction against another, and no single group or person could challenge Chiang. As a result the government was only able to deal effectively with problems in the cities and the modern (industrial) economic sector. Ninety percent of the population, largely rural, remained outside the control of Nanking. Model reform laws affecting rents, taxes, and usury were passed but were routinely ignored by provincial officials and landlords. Chiang's ruling circle neither could nor wished to challenge vested interests. After all, they themselves might be the first victims of profound social and economic change.<sup>7</sup>

From an international point of view, in 1931 Japan also had more freedom of action than at any time since World War I. The

American official Henry L. Stimson observed, "If anyone had planned the Manchurian outbreak with a view to freedom from interference from the rest of the world, his time was well chosen."<sup>8</sup> After 1929, the United States and the European powers were seriously saddled with deep domestic crises produced by the world-wide depression. Though Britain and America reduced the rate of their naval construction after the Washington Treaty of 1922, Japan continued to increase its naval power and became dominant in the Western Pacific. The first Five Year Plan similarly kept the U.S.S.R. busy, and the defense of the Siberian Maritime Provinces remained undeveloped. Taking advantage of this situation, Japan attacked China to solve the Manchurian problem and check Russian influence in Mongolia.

Although many Americans sympathised with China, and public opinion was hostile to Japan, the Hoover administration, baffled by the Depression and committed to passivity, could do little to alleviate the suffering of China. During this time, isolationism was a powerful influence in American politics. Based on the experience of the First World War, neither government, nor public seemed at all interested in challenging Japan.<sup>9</sup> Though readers of the New York Times learned of the brutality of Japanese behavior in Manchuria, their attitude was that "we sympathize, but this is not our business". During this time Washington's main concerns were to collect the reparations from the European allies, to fight the Depression, and to keep America out from war. As one historian, Thomas N. Guinsburg, observes, "as if the Depression were not enough, military conflict erupted in the Far East, further convincing the nation of the isolationists' prescience. Nothing, it

seemed, could prevent recurring wars of imperialism; to save the blood of its sons, the wise nation concentrated solely upon its own immediate interests."<sup>10</sup>

Reflecting these attitudes, President Herbert Hoover, and Secretary of State Henry L. Stimson chose to seize the high moral ground. Stimson at first simply dispatched cautious notes of inquiry, and between September 22, 1931 and January 7, 1932, the State Department issued nine communications urging the parties not to violate their obligations under the Kellogg-Briand Pact and the Nine-Power Treaty.<sup>11</sup> Five of the nine communications were addressed to the Japanese government alone.<sup>12</sup> The Secretary of State also cooperated with the League Council through diplomatic channels, and Stimson endorsed the formation of the Lytton Commission to investigate the situation in Manchuria.<sup>13</sup> But Japan continued to advance deep inside Manchuria, and diplomatic pressure proved ineffective. During this time, the State Department's Far Eastern Division Advisor, Stanley K. Hornbeck, made a strong argument that the United States should espouse legal action rather than moral sanction. He also advocated economic sanctions against Japan by the United States.<sup>14</sup> But Hoover's aloofness and caution prevented Stimson from forming an effective foreign policy to influence Japanese aggression. Moreover, without being a direct belligerent, it was not possible for the U.S. to take any direct action against Japan in the middle of the depression.

On January 7, 1932 Stimson sent a note to both Japan and China which expounded the Hoover-Stimson Non-Recognition Doctrine. In brief, the note stated that Washington would not accept any

arrangement in Manchuria "which may impair the treaty rights of the United States... and that it does not intend to recognize any situation, treaty, or arrangement which may be brought about by means contrary to the covenants and obligations of the pact of Paris".<sup>15</sup> Stimson's doctrine of "non-recognition" was "a moral sanction against aggression"<sup>16</sup> which tried to turn an aggressive nation into a law-abiding one. However, there was no political, military, or economic force to shore up this policy, and consequently it failed to halt Japanese aggression in China. The United States also failed to get the co-operation of the European powers, especially of Britain.<sup>17</sup> While the U.S. took the lead against Japanese aggression, Britain and "other western powers remained, for the time being, noncommittal."<sup>18</sup>

Exploiting this disunity among the Western powers and the U.S., Japan attacked Shanghai in January, 1932 in an effort to end the boycott of Japanese goods by the Chinese people.<sup>19</sup> The Japanese bombed civilian areas, occupied a part of the International Settlements, and advanced up the Yangtze Valley. During the Shanghai phase, President Hoover ordered the U.S. Asiatic fleet to maneuver off Shanghai, and sent troops to the International zone of the city to protect the lives of the Americans. But Hoover, encouraged by William R. Castle, Assistant Secretary of the Far Eastern Division, was opposed to the idea of the tough policy against Japan suggested by Hornbeck and Stimson.<sup>20</sup> Stimson's declaration that future U.S. naval construction would resume if the existing treaties were not respected did not influence Japan. When the League Council adopted the Stimson Doctrine of Non-recognition



and adhered to the Lytton Commission report, Japan withdrew from the League in March 1933. Although the United States "was the first government to protest to Japan, to enunciate the Non-recognition Doctrine",<sup>21</sup> Henry L. Stimson failed to help China materially against Japan. Meanwhile, Stanley K. Hornbeck continued to suggest radical measures to ensure equal commercial opportunities for all nations in China and the territorial integrity of China. In September, 1933, Hornbeck supported the idea of Grover Clark, who called upon the American business community to invest in a capital fund that would support construction projects in China. He also proposed a boycott of Japanese goods by the United States and the League of Nations as well as an embargo on all U.S. trade with Japan. In case of a war with Japan he called upon the Western powers to form a defensive alliance against Tokyo.<sup>22</sup> Although revealing future directions in Sino-American economic relations, none of Hornbeck's proposals came into practice because U.S. businessmen were not willing to lose their Japan markets and the European powers proved unable to make a collective decision. Secretary of State Stimson did nothing to aid China, and even turned down Nanking's request for loans, surplus military supplies, and a team of aviation experts.<sup>23</sup> Stimson failed because of the "relative aloofness of President Herbert Hoover, who spoke little of the Manchurian crisis in public". On the other hand, a "hostile press and Congress only served to compound his problems".<sup>24</sup> Henry L. Stimson ended his career in the Hoover administration in controversy, expecting a realization of his policy by the Administration of Franklin D. Roosevelt.<sup>25</sup>

There were no radical changes in United States policy toward China between 1933-1937, despite hopes that the incoming Franklin D. Roosevelt administration would take a strong stance. In the beginning, FDR adopted Hoover's policy of non-antagonism to Japan, which W. I. Cohen describes as "a return to his cousin Theodore's policy of appeasing Japan".<sup>26</sup> Cohen exaggerated perhaps, but it is true that "while he (FDR) did have a strong feeling for the Chinese, partly based on an old family involvement with the China trade, and while he was indignant at Japan's Manchurian action, he had no intention, as the next five years would make clear, of risking a war in the Far East."<sup>27</sup> Although an internationalist, FDR was firmly determined to avoid a confrontation with Japan. He also wanted to discourage the Chinese government from expecting any kind of material assistance against Japan from the United States. FDR, as did most of his advisors, believed that "China's fate was of no great importance to nor a responsibility of the United States".<sup>28</sup> The Depression and grave problems at home, an isolationist Congress and apathetic public, fear of losing a profitable trade with Japan, and China's hopelessly weak, corrupt government forced FDR to renew Stimson's policy of non-involvement and Non-recognition.

During the period 1933-1937 United States officials, however, were not completely indifferent to the China situation. United States political leaders had an idea that effective peace in East Asia could be achieved through the establishment of a unified and economically strong China which would be "powerful enough to defend itself against aggression and ensure equality of opportunity to all countries by enforcing the principle of the Open Door."<sup>29</sup> The Lytton

Commission had also reaffirmed the necessity of a strong China for the maintenance of peace in the Far East. On Feb 24, 1933, the Assembly of the League, while endorsing the Lytton Commission's report, urged that "temporary international co-operation in the internal reconstruction of China, as suggested by the late Dr Sun Yat Sen was a prerequisite for peace in the Far East."<sup>30</sup> Dr. Sun Yat Sen and other Nationalist leaders in China also held the belief that the only way to establish peace in the Far East was to support the Chinese reconstruction effort and to abandon the competitive struggle for domination of China by other powers.<sup>31</sup> Based on this principle, the Chinese government appealed in 1934 to the League of Nations for reconstruction and development aid in order to unify China politically and to permit the Chinese economy to industrialize. The newly created National Economic Council of China<sup>32</sup> asked the League for technical assistance for multiple forms of development, like highways, railways, flood control of the Yangtze Valley, health, education and to solve agrarian problems. The League responded to the Chinese requests by creating a special committee. It collaborated with China in health, education and agricultural and technical fields and sent experts to China. While Japan opposed the League's program of economic aid to China, the United States was unable to co-operate with the League.<sup>33</sup>

Besides approaching the League, the Chinese government also hoped to get direct financial assistance from the United States. In the spring of 1933, Dr. T.V. Soong, on his way to attend the World Economic Conference in London, stopped in Washington and after negotiations with the Farm Credit Administration head Henry

Morgenthau Jr, arranged for a US \$50 million credit.<sup>34</sup> A similar credit had been granted to China in 1931 by the United States Federal Farm Board for the construction of dikes on the Yangtze River. The 1933 Reconstruction Finance Corporation(RFC) credit was to be repaid in three years with a five percent interest rate and various taxes were pledged as collateral. During the visit Dr. Soong also took the initiative to form a "Consultative Committee" which would replace the old economic consortium,<sup>35</sup> formed before the First World War. The Chinese were uncomfortable with the old consortium for two reasons. First, the Japanese controlled it, and, second, the Chinese did not like foreign supervision over their economic development programs. T.V. Soong tried to include Jean Monnet, Sir Charles Addis and Thomas W. Lamont in the proposed Consultative Committee.<sup>36</sup> But the Japanese realized that "any effort to strengthen China would only encourage the Chinese to persevere in an attitude of hostility to Japan," and therefore, Japan objected to the scheme.<sup>37</sup> Due to the Japanese opposition, Soong's attempt to organize the Consultative Committee failed.<sup>38</sup>

T.V. Soong came back to Washington in August, 1933, to discuss financial and other aid. Being aware of his arrival, the Far Eastern Division of the State Department in a number of memoranda advised the President not to negotiate with Soong about financial aid or other aid in the face of British and Japanese opposition. Further opposition came from a semi-independent faction in South China which objected to the Reconstruction Finance Corporation Credit to the Chiang government on the grounds that it would be used by Chiang against them.<sup>39</sup> The South China factions of the KMT had established

virtually a separate government in Canton in 1931. The Division was in favor of a collective multinational effort to aid China, but it rejected the idea of unilateral U.S. aid. Moreover, the State Department also insisted that China should pay back its past financial obligations to American citizens.<sup>40</sup> Because the U.S. did not want to identify itself as the only country to aid the Chinese government, and because it did not want to antagonize Japan, it could not take any independent action. Soong talked with Hornbeck and met President Roosevelt at Hyde Park, but failed to receive any aid package. Furthermore, because the Chinese could not sell as much cotton, their principal export to the U.S., to finance their previous credits in the U.S., their payments fell into arrears. Therefore, the RFC in March, 1934, reduced the Chinese credit to US \$20 million.<sup>41</sup>

Despite the fact that the State Department was adamant about giving any kind of financial aid to China, the Chinese got a considerable amount of assistance from private American groups and companies. When the U.S. Department of War rejected a plea by Chiang Kai-shek to send qualified Americans to organize and operate a school for the training of military aviators, the Chinese government was able to arrange with Colonel John Hamilton Juett and some other aviators (all in the U.S. Army-Air Reserve Corps) to come to China as private citizens to establish a military aviation school at Hangchow. By the end of 1933, Colonel Juett had established an embryonic Chinese Air Force.<sup>42</sup> Similarly, in the development of commercial aviation, the Americans also played an important role through the formation of the China National Aviation Corporation as

oint Sino-American venture. As a result of the efforts of the U. S. Department of Commerce, the United States became the principal supplier of aircraft and related equipment to China.<sup>43</sup> In fact, aircraft exports more than quadrupled over those of the previous years. In this way, these private U.S. groups and entrepreneurs directly contributed to strengthening China's military capabilities.

The Japanese reacted vociferously to this private foreign assistance to China. On April, 1934, Eiji Amau, a spokesman for the Japanese Foreign Office, declared that Japan had a special responsibility to maintain peace in East Asia and that "Japan must oppose any operations undertaken by the foreign powers in the name of technical and financial assistance to China and any projects such as detailing military instructors or military advisors to China or supporting the Chinese with war planes."<sup>44</sup> The United States Ambassador to China Johnson T. Nelson strongly recommended that the U.S. administration should not let the Japanese pronouncement "pass unchallenged" as it ran directly counter to the spirit and the letter of the Nine Power Treaty.<sup>45</sup> But instead of taking any active measure, Secretary of State Cordell Hull sent only an unprovocative note to Japan assuring Tokyo that its relations with the United States were determined by 'traditional friendship' and international law.<sup>46</sup> Afterwards, Hull asked the Far Eastern Division for a review of United States policy toward China for the purpose of determining whether it should be altered for the sake of avoiding a dispute with Japan,<sup>47</sup> Stanley K. Hornbeck presented the Secretary with a memorandum which suggested that the American government and its

agencies should refrain from giving further financial assistance to China in any form whatsoever. Thus, despite the recommendation of the U.S. ambassador at Nanking, the State Department was unwilling to take substantive measures other than diplomacy to assist China against Japan. It was unwilling to offend Tokyo even for the sake of America's commercial interests in China. Furthermore, the memorandum also urged the United States government to discourage American citizens from offering direct help to the Chinese armed forces, insisted that the government exercise rigid control over the export of arms and munitions to China, and make no attempt to foster such exports. Hornbeck further argued against any kind of special consideration for China, and stated that China must be made to realize that she would have to "stand on her own feet." According to Hornbeck, such a policy should gradually create an effective spirit of self-reliance among the Chinese people.<sup>48</sup> At the same time, Hornbeck supported the idea of collective financial assistance to China to carry out an extensive program of internal improvements which would contribute to the establishment of effective peace in East Asia. These programs, recommended by Hornbeck were not carried out at that time, nor was it possible to carry them out in 1934, when China was confronted with both internal and external problems, and the U.S. was maintaining a virtual isolation policy. But the later U.S. aid programs for China both during and after the war indicate that the U.S. was deeply interested in the internal economic development of China. U.S. policy makers were aware of China's need for modernization even before the war started against Japan.

When Hornbeck was making his recommendations, U.S. policy toward China reached a crisis when the Treasury Department decided to purchase large quantities of silver from China. In the early 1930s senators from the major silver-producing states urged the FDR administration to stabilize the price of silver both in the domestic and the world market. In June 1934, under strong congressional pressure, Roosevelt signed the Silver Purchase Act which required the U.S. Treasury to buy silver on the world market at high prices "until it constituted one-fourth of the country's monetary reserve or until silver reached \$1.29 an ounce on the world market."<sup>49</sup> Being on the Silver Standard, this silver purchase program caused a serious drain on China's reserves and China was forced to adopt a managed currency. Treasury Secretary Henry Morgenthau Jr used the Silver Purchase Act to aid China, and thus established a separate foreign policy from the State Department's toward China.<sup>50</sup> As Secretary of the Treasury Department, Morgenthau did not want to scrap the Stimson Doctrine, but "believed in the need for the United States to play a role in resisting Nazi and Japanese aggression."<sup>51</sup> Morgenthau also believed that developments in East Asia posed a totalitarian challenge to democracy and he favored co-operation between the United States and the Soviet Union in resisting both Germany and Japan. His view of Far Eastern relations was far more traditional than popular postwar interpretations of the 1930s would suggest, and he saw Far Eastern politics as a three way contest between currency blocs--the emerging yen bloc, the established sterling bloc, and the energetic dollar bloc.<sup>52</sup> To Morgenthau, the dollar bloc included North and South America and China. In other



words, Morgenthau tried his best to link Chinese currency to the dollar, and the State Department opposed his policy for fear of antagonizing Japan. As Morgenthau himself explained it to a Senate Democrat leader, "This thing is awfully big--it's an international battle between Great Britain, Japan, and ourselves-- and China is the bone in the middle."<sup>53</sup> Although FDR did not want to challenge the State Department's policy of appeasement of Japan, Henry Morgenthau Jr. took the opportunity of the Silver Purchase Act to exploit his "personal relationship with the president to influence him toward his world view."<sup>54</sup>

When in 1935 the Chinese requested financial assistance, Morgenthau sent Yale professor James Harvey Rogers to China for an evaluation of the Chinese situation. Deeply impressed by the Chinese Finance Minister, H.H. Kung, Rogers recommended aid to China for multiple development and construction.<sup>55</sup> But the Far Eastern Division head Stanley K. Hornbeck strongly opposed any kind of unilateral action by the United States. In order to aid China Hornbeck was in favor of reviving the old Consortium, of which Japan was a member, so that a conflict with Japan could be avoided. Although Morgenthau temporarily deferred to Secretary Hull,<sup>56</sup> this episode marked the beginning of a full-scale State-Treasury confrontation on Far Eastern policy which lasted until late 1937.<sup>56</sup> The State Department urged that FDR either alter the Silver policy or encourage an internationally organized response to China's financial crisis.<sup>57</sup> FDR accepted neither of these two suggestions, as he did not want a confrontation with the silver bloc Senators. On the other hand, he also rejected the plea for economic assistance to

carry out monetary reforms. FDR, as with most things, permitted domestic politics to set his China policies.

The situation of China, however, grew more desperate day by day. During November 1934, an increased amount of silver was smuggled out of China, and in order to prevent this smuggling H.H. Kung the Chinese Minister for Financial Affairs appealed to the U.S. for assistance.<sup>58</sup> The State Department, however, remained adamant. In China the situation continued to deteriorate. In January, widespread rumors circulated in Washington that the Chinese government would be forced into a rapprochement with Japan to obtain financial aid from the country that had invaded her and dismembered the northern provinces. It was also rumored that China would be forced to expel all Western interests and to surrender a vast area of North China to Japan. These rumours were confirmed by T.V. Soong and Willys R. Peck, a high ranking official of the State Department.<sup>59</sup>

Against this grim background, China again requested the United States to help her in adopting a currency based on gold as well as silver by granting a loan of \$100 million and a credit of equal value.<sup>60</sup> While the State Department viewed the matter as strictly political, Morgenthau saw it in economic terms. He criticised Hull's Far Eastern policy as being far too conciliatory toward the Japanese and strongly supported a "go it alone" policy in aiding China. Meanwhile, the world price of silver rose from fifty five cents per ounce in February to eighty one cents by the end of April, 1935, and its impact on the Chinese economy was severe.<sup>61</sup> Smuggling reached a peak and on the political side China was obliged to accept the Ho-

Umetsu agreement by the Japanese on July 6, 1935. This agreement forced China to expel Hopei Chairman Yu Hsueh-Chung and his Fifty First Army from North China, to withdraw Kuomintang elements from Hopei province and to eliminate "all anti-Japanese propaganda" in North China.<sup>62</sup>

During this time Sir Frederick Leith-Ross, the famous British economist, after making an extensive tour of China, suggested that the Chinese economy was on the verge of collapse. Leith-Ross recommended immediate financial aid to China regardless of Sino-Japanese relations.<sup>63</sup> Ambassador Johnson supported Leith-Ross's recommendations. On October, 1935, the Chinese announced abandonment of the Silver Standard and on October 28, 1935, the Chinese ambassador Alfred Sze called on Morgenthau to offer the U.S. Treasury 200 million ounces of Chinese silver, and to ask for an American loan.

Finally, on condition of American supervision over the Chinese currency reforms, on November 13, 1935, with the consent of President Roosevelt, an agreement was reached with the Chinese by which the United States agreed to purchase 50 million ounces of silver.<sup>64</sup> In order to iron out the details the Chinese government sent K.P. Chen, a Shanghai banker, to Washington. Morgenthau was so impressed by Chen's economic development plans for China, including inflation control, that he began to believe that the United States should strengthen China even at the expense of alienating the Japanese.<sup>65</sup> By May 1936, the final details had been arranged for a monthly silver purchase program. The United States Treasury undertook to furnish the Chinese with \$20 million against a deposit

of fifty million ounces of silver. In order to avoid difficulties with the State Department, the agreement was signed on behalf of the Chinese Ministry of Finance and the U.S. Treasury. In addition, Morgenthau arranged with Chen to buy seventy-five million ounces of silver from China on a monthly basis. In this way, as Robert Dallek says "Because the Chinese agreed to use the proceeds strictly for currency stabilization, not for military ends, and because the State Department did not think it would offend the Japanese, Morgenthau was able to purchase 175 million ounces of Chinese silver during the next fifteen months."<sup>66</sup> In evaluating the effects of this silver purchase, Dorothy Borg finds: "A way had been found to repair some of the damage inflicted on China by our silver purchasing program while keeping Far Eastern policy intact. Every effort was made to furnish China with assistance in a manner that would not violate the spirit of the Amai Doctrine to minimize the importance of Chen-Morgenthau agreement."<sup>67</sup>

In 1935 and 1936 the complex political situations in both China and the U.S. caused United States leaders to follow confused policies. During 1935 and the first half of 1936, the Japanese increased their hegemony over many parts of China. Lack of unity in China and weak Chinese resistance to Japanese aggression caused the United States to follow a passive policy, which was a logical response to existing conditions.<sup>4</sup> These conditions, however, were not necessarily a long-run basis for inaction.<sup>68</sup> In fact the United States faced a dilemma in its relations with China. On one hand, American officials feared giving the impression that the U.S. lacked friendly sympathy for China; on the other hand, they wanted to avoid

expressing sympathy in a manner which might lead the Chinese to expect more support from the United States than they were inclined to give.<sup>69</sup>

Despite its inability to resist Japan effectively, the Chinese achieved a remarkable change in the overall domestic situation by mid-1937. The central government under Chiang Kai-shek established firm control over additional provinces, repelled the Japanese attack on Suiyuan, and suppressed the Japanese backed Inner Mongols. While the Sian incident, where some Chinese warlords imprisoned Chiang, led to the creation of a united front, the Nationalists' influence increased dramatically. Economically, with the Silver Purchasing Program of the United States as Frederick C. Adams notes, "the monetary reform was successful; it provided the central government with a financial mechanism to aid in unification, and it promoted stable exchange rates which eased the country's balance of payments problem." The improved financial situation enabled the Nanking government to make significant strides in settling defaulted debts.<sup>70</sup> The Kuomintang also drew up a number of plans to foster growth in industry, transportation, and agriculture.<sup>71</sup> Ambassador Nelson Johnson's account concerning these developments became important in the formation of United States policy. "China", he said, "had entered a new era of economic development"; the National government was "pursuing its program of economic reconstruction on all fronts, agriculture, industrial, and communications."<sup>72</sup> All these development initiatives provided new optimism and encouragement for American businessmen and financiers. Private American economic interest groups also believed that "the successful

conclusion of these economic plans would provide a check on Japanese expansion by promoting political stability in China.<sup>73</sup> Among the private American economic interest groups, the National Foreign Trade Council, the Pacific Foreign Trade Council and the different oil companies deserve mention. In 1935, the National Foreign Trade Council's economic mission to the Far East recommended that the "American government cooperate with U.S. businesses in competition with foreign firms."<sup>74</sup>

Despite their renewed enthusiasm, the American firms and commercial companies, however, were reluctant to invest in China because the U.S. government failed to guarantee their capital investments. As Secretary of Commerce Daniel Roper indicated, European governments took the risk of guaranteeing their nationals' investments, and he suggested that Washington should assume "such risks in line with the policies of what other governments were doing."<sup>75</sup>

Meanwhile, Chinese repayment behavior toward outstanding European liabilities continued to be an impediment. The Chinese government for instance, repaid its old debts to Great Britain by floating bonds in the United Kingdom. This 'rob Peter to pay Paul' method only "reinforced the skepticism of financial groups, and made it difficult for Washington to promise the diplomatic and financial support desired by private U.S. interests."<sup>76</sup>

The Chinese government adopted some practical measures to encourage American financial groups to invest in China. It refunded U.S. financial interests for the HuKuang Railway loans, the Chicago Bank loan, and the Pacific Development Corporation loan.<sup>77</sup> Nanking

also promised elasticity in their economic policy for American financiers in the field of heavy industries.

Private U.S. companies had a long history of failing efforts to get the co-operation of the State Department in their attempts to trade in China. As early as 1934, the State Department rejected the American Foreign Trade Council's demand to establish a syndicate of American firms interested in doing business in China. It also wanted the creation of an American bank supported by the U.S. government to finance investment in heavy industries in China. Undeterred by the State Department's indifference, the National Foreign Trade Council organized an American Economic Mission to the Far East headed by W. Cameron Forbes in March 1935, to go to China to investigate the investment opportunities.<sup>78</sup> After an extensive tour throughout China, Forbes was convinced that China was experiencing an "Economic Renaissance," and he proposed the establishment of a China Credit Corporation.<sup>79</sup> Forbes, along with Lamont, tried to convince the big U.S. enterprises to invest money in China, and requested that the State Department take measures to ensure American economic interests in the Far East. Forbes' efforts ended in failure.

The Chinese government continued to seek American financial assistance. In February, 1937, the Chinese Ministry of Railways requested aid from Warren L. Pierson, President of the Export-Import Bank, to purchase of railroad equipment. Ambassador Nelson Johnson forwarded the request. His Commercial Attache' in Changhai, Julean Arnold, maintained that the United States could meet China's increasing demand for capital goods by extending credit. Arnold

further suggested that Washington examine European financial mechanisms as a model for future Sino-American trade relations.<sup>80</sup> A. Bland Calder, the Assistant Commercial Attache' in Shanghai, however, "recommended that the formation of a Commission under the auspices of the Export-Import Bank with the collaboration of officers from the Departments of State, Commerce, Treasury and Agriculture. By creating a united front of American interests and by developing a sound loan policy, the Commission would go a long way toward controlling the terms of proposed transactions."<sup>81</sup> Willys Peck also supported the attache's arguments. But Ambassador Johnson argued against endorsement of the Calder idea. As long as the "urge to see American products in China was not compelling enough to justify a Commission, he saw no need for one."<sup>82</sup> The Commission was never approved, and Chinese aid requests followed traditional patterns until the Second World War brought new needs.

Meanwhile, important initiatives came from the Export-Import Bank. In 1936, the Bank received several applications for assistance to develop the Chinese railways. To investigate the potentiality of the China market, Pierson decided to visit China in March, 1937. Upon his arrival he travelled extensively throughout China and like Cameron Forbes he talked with leading businessmen, officials and political leaders. He was so impressed by Chiang's policy of peace toward Japan, and also by the possibility of economic benefit through participation in the Chinese economic development program, that he recommended "the Export-Import Bank assist in financing the sale of approximately forty American locomotives to the Chinese Ministry of Railways."<sup>83</sup> Although Pierson agreed with Ambassador Johnson that



there was no need for a Credit Commission, his observations of China's imports and other facts led him to conclusions about a potential Chinese market that were close to those of Calder and Arnold. Besides granting credit, Pierson suggested planning to promote American business interests and to promote the Export-Import Bank's active participation in China's economic development.<sup>84</sup> In order to encourage leading American financiers to invest in China, A. Bland Calder prepared a long study of China's financial situation, and officials of the Bureau of Foreign and Domestic Commerce in Washington mailed copies of Calder's findings to different banks and companies, thus, helping to "acquaint important segments of the business and financial communities with the expanding opportunities in China."<sup>85</sup>

The visit of Chinese Finance Minister Kung to the United States in June, 1937 opened further co-operation between the United States and China. On different occasions, Kung urged increased American investment in China. Many leading financiers like E.P. Thomas agreed to co-operate with China, and even Pierson hinted at larger co-operation by the Export-Import Bank with enthusiastic U.S. financiers.<sup>86</sup> Furthermore, President Roosevelt wanted to "go the limit" in helping China, and Morgenthau again arranged to purchase 62 million ounces of Chinese silver at 45 cents an ounce on the condition that Kung buy gold with the proceeds.<sup>87</sup> The Treasury Department granted a \$50 million loan to China. But Kung failed to get a purchasing offer of another \$50 million from the U.S. Department of Commerce. The Marco Polo Bridge incident on July 7, 1937 precipitated large scale war between China and Japan. It made

American businessmen suspicious about investment potential in China. Yet this period from 1936 to 1937 marked a breakthrough in private U.S. co-operation with China.

Before the outbreak of full-scale war between China and Japan in July 1937, the activities of the U.S. Export-Import Bank and the Treasury Department had convinced the FDR administration that many measures which strengthened the Nationalists would help them withstand Japanese pressure. American policy-makers had begun to think that they had discovered a definitive way to solve the Far Eastern crisis, which in the past had eluded them: "a Chinese government that would unify the country without endangering the rights of foreign nations."<sup>88</sup> Although the response of the American private sector to investment in China remained disappointing, the idea of a strong unified China guaranteeing peace in the Far East impressed American officials---so much so that their fear that steps to support the Kuomintang would alienate Japan was largely overcome. Thus, just before the Marco-Polo Bridge incident, the State, Treasury and Commerce Departments had reached a consensus regarding the position of China in American foreign policy. The outbreak of the Sino-Japanese War, however, far from encouraging the U.S. government to implement its new consensus, renewed confusion and revived timidity. Not until after the outbreak of the European War did any substantial assistance reach China from the United States.

In reality, the Sino-Japanese War that began in July, 1937 was the culmination of the War of 1931. The Fumimaro Konoye Cabinet, which was completely under the control of the Japanese Army, desperately wanted to get out of their China commitment by bringing

about a complete defeat of the Chinese Nationalist government. The Japanese were also afraid of the "United Front" of the communists and nationalists. Japan wanted to impose truce terms on China which would virtually separate the northern provinces from the rest of the country. Chiang Kai-shek refused to accept these Japanese conditions. Although the Chinese army offered a vigorous resistance, the Japanese army overran Peking on July 25th, and within a few months Japan's army overran most of northern China, the coastal areas, and major river ports.<sup>89</sup>

The first U.S. response to the Sino-Japanese War of 1937-41 "reflected the deep neutralist and pacifist mood that had captured the country after the disillusioning experience of the world's failure to stop Japan in Manchuria."<sup>90</sup> On July 12, 1937, the Chinese government asked Great Britain and the United States to mediate the crisis, and on the 13th, a British memorandum to the State Department urged a unified Western approach to Tokyo.<sup>91</sup> Hull drafted his reply in consultation with financial adviser Norman Davis, Under Secretary of State Sumner Welles, and Hornbeck, politely rejecting London's suggestion of joint mediation. In his reply to British Ambassador Sir Ronald Lindsay, Hull claimed, "...cooperation on parallel but independent lines would be more effective and less likely to have an effect the opposite of that desired than would joint or identical representations."<sup>92</sup> Most probably, Hull's reply was influenced by the failure of British-American co-operation during the Manchurian Crisis.

To avoid U.S. involvement in the conflict, Hull simply urged Japan and China to settle their disputes in a peaceful manner. On

July 16, 1937, Hull clarified U.S. policy by issuing a public statement which admonished all nations to adhere to international treaties and commit themselves to the principles of peace and non-aggression.<sup>93</sup> Although Hull's statement was well received both at home and abroad, it had no positive influence on events in the Far East. Former Secretary of State Henry L. Stimson advised Hull that the situation in the Far East needed more "than even such a powerful moral appeal as yours". Favoring a stronger American action to bring an end to the Sino-Japanese conflict, Stimson wrote Hull that "Japan's present attempt on China cannot be taken as less serious, or fundamental, than the attacks of the Mongol invaders upon the civilization of Europe fifteen centuries ago."<sup>94</sup>

Stanley K. Hornbeck also increasingly sought a stronger U.S. response. He suggested that the administration wait on developments as it was reluctant to use force or apply economic sanctions against Japan. He also advocated a naval expansion program.<sup>95</sup> Until mid-1938 Hornbeck believed that U.S. economic sanctions against Japan would be more successful than economic aid to China, and he warned the Chinese Ambassador C.T. Wang, in early August 1937 not to expect aid. He also opposed taking the lead in invoking the Nine-Power Treaty.<sup>96</sup>

Meanwhile Japan extended the war by occupying more territory in China. In August, serious battles took place in and around Shanghai. During this time, isolationist leaders in Congress strongly demanded withdrawal of American troops from the American Legation, recall of the small U.S. Asiatic Fleet from China, and that civilians be advised to leave or remain at their own risk.<sup>97</sup>

On the other hand, Hull, Hornbeck and other officials were in favor of sending more Marines to China to protect the lives and property of Americans. Under these pressures, FDR on September 5, 1937, in a news conference told reporters that instructions had been given to Americans in China to leave or to remain "at their own risk."<sup>98</sup>

The Roosevelt administration also faced the problem of invoking the recently enacted neutrality laws in the Far East. In May, 1937, Congress passed the third or "permanent" neutrality Act, which gave the executive branch the power to determine whether or not a state of war existed. It required a mandatory and impartial embargo of arms and ammunition, excluding raw materials. It also placed a ban on loans, except short term commercial credit, to all belligerents once a state of war was recognized.<sup>99</sup> Since the war was still undecided by both powers, and China would suffer more from such action than would Japan, which did not need American arms, the FDR administration did not want to invoke this Act. In the middle of September, FDR issued an order which prohibited merchant ships owned by the U.S. government from carrying arms, ammunition or implements of war to either China or Japan until further notice. Private vessels were allowed to do so, but only at their own risk.<sup>100</sup> The President also declared his intent to invoke the neutrality policy on a twenty-four-hour basis if it was needed. America's passive attitude towards Japan was shown again when FDR's administration refused to approve the use of economic sanctions against Japan at the Brussels Conference in October and November of 1937. General trade with Japan continued without any interruption. Japan imposed a blockade along China's coastline and hampered the Nationalist

regime's normal trade relations with the outside world. The Panay incident, where Japan sank a small US Navy green boat, led to the withdrawal of some part of the U.S. marines from China. The effects of the Sino-Japanese War, congressional isolationism, and U.S. government inaction on China were catastrophic. "Suffering mounting losses on the battlefield and with little likelihood of foreign assistance, China seemed on the threshold of defeat," Michael Schaller writes.<sup>101</sup>

Some U.S. actions, however, did indirectly benefit China. Towards the end of 1937, the United States provided China with a limited amount of financial assistance. Morgenthau continued to buy silver from China which helped to stabilize the currency, thus avoiding monetary fluctuation and associated political troubles.<sup>102</sup> Moreover, by refusing to invoke Neutrality Act, FDR in fact enabled the Chinese to continue their trade with America based on commercial credit basis rather than on cash which clearly China could not afford.

The "quarantine speech" of FDR in Chicago on October 5, 1937, was another precautionary warning against Japanese aggression. In this speech, FDR's recommendation that "'peace-loving nations isolate aggressor states" formed the background for imposing a trade embargo on Japan.<sup>102</sup> Moreover, the FDR administration was also able to get congressional approval in the spring of 1938 for a long range rearmament program for the Army and Navy at an expense of eight billion dollars.<sup>104</sup>

The United States government's attitude toward China, too, gradually began to change. The news of Japanese atrocities in China

and the continuous Japanese attacks on American lives and property shocked the American public. "The terror attacks on Shanghai and Nanking, civilian targets", Michael Schaller insists, "outraged a generation of Americans not yet immune to total warfare." Moreover, the Japanese policy of aggression in China apparently reflected a determination to control all Asia and the Pacific.<sup>105</sup> Third, in the mid 1930's Germany became a threat to the British, French, and Dutch. In the event of a new European war, China and the United States would be left as the "two major sources of power which might resist Japan". Thus it became necessary to revitalize China's capacity to resist Japan. In this way, as 1938 passed, slowly "the outline of a new policy appeared, one predicated on the maintenance of a pro-American China which might be a bulwark against Japan."<sup>106</sup> Economic aid offered the hope of achieving this goal. Moreover, during this time, the fear of losing China either to Japan or to Moscow, which meant total elimination of Western interests in China, also motivated U.S. policy.<sup>107</sup>

Meanwhile, Japanese atrocities, such as the rape of Nanking also created widespread resentment in the U.S. administration. After the Panay incident, Japanese attacks on American lives and property became common. Many Americans became incensed when newspapers reported the brutal conduct of the Japanese army. "Some individuals began to question the validity of isolationism, and a few wondered if their government should take action to restrain Japan before she destroyed all American interests and rights in Eastern Asia". In the Spring of 1938, The U.S. State Department received many letters concerning Japanese brutalities in China which

"asked for an embargo on scrap iron and steel, oil, gas, airplanes, and other munitions to Japan."<sup>108</sup> Other sources like a poll in The Nation document a similar, but still limited, shift in the U.S. public opinion.<sup>109</sup>

During this time, Stanley K. Hornbeck realized that the Japanese political machine was fully under the control of militarists and that there was no hope for civilian moderates to gain the upper hand. What was needed was to stop the aggression from outside. But the U.S. administration still could not go against an apathetic public opinion. Therefore, from the beginning of 1938, Hornbeck devoted himself to the formation of public opinion in favor of stronger action against Japan. Under his influence, a young economist, Elliot Janeway, published two articles in Harper's Magazine and in Asia.<sup>109</sup> They were Hornbeck's trial balloons.

Janeway tried to show that the United States was enabling Japan to continue her aggression in China by supplying 75% of her oil and steel, and also by providing heavy industrial goods like machine tools and lubricating oil. By supporting Japan's war efforts, Janeway insisted that the United States was in fact increasing a menace to her national interests."<sup>111</sup> In conclusion, he demanded an embargo. Again, with Hornbeck's encouragement "The American Committee for Non-participation in Japanese Aggression" was formed under the Chairmanship of Roger S. Green. Harry Price, who had taught in several Chinese universities, became the real founder and organizer of the committee.<sup>112</sup> The Price Committee adopted elaborate statements and carried out campaigns "to crystallize public demand and support for governmental action, both executive



and legislative action, designed to check American war material shipments to Japan."<sup>113</sup> Meanwhile, returning Americans from China began forming their own pressure groups to aid Nationalist China.<sup>114</sup> Japanese aggression in China deeply affected the American business community also. In its occupied territories in China, Japan attempted to establish its own economic monopolies in violation of the Open Door doctrine. The Standard Oil Company lost its profitable trade in the Yangtze Valley area when Japan closed the river to commercial shipping. In Inner Mongolia, Japan attempted to establish an oil monopoly of its own in June, 1938. "Although they carried the trade in China till 1941, Standard, Asiatic, and the Texas Company had to endure difficulties in obtaining foreign exchange, problems with military permits for inland shipments, restrictive local quotas, price fixing designed to favor Japanese firms, and a host of other bureaucratic irritants."<sup>115</sup> American businessmen began to look upon Japan's expansionist program as a threat to "America's security", and "businessmen not only become champions of preparedness, but they argued that their leadership was indispensable in preparing America for war."<sup>116</sup>

The Japanese attack on China also affected missionary interests and attitudes in both China and Japan. In Japan, missionaries were harrassed by the Army. On the other hand, missionaries from China sent letters to the Department of State, to newspapers, and church organizations in which they demanded a consumer boycott of Japanese goods in America, and institution of an embargo on the selling of war materials to Japan. These steps, it was claimed, "would force her to abandon her invasion of China in quick order."<sup>117</sup> By a

gradual process, American public opinion turned against Japan. This change in the normally isolationist temper of the American people held specific foreign policy implications. In Washington, Hornbeck and others outlined two broad policy options against Japan; either impose an embargo on Japan or aid China. In Tokyo, Ambassador Joseph C. Grew vigorously objected to the first approach when Hornbeck contacted him. As Secretary of State Hull supported Grew's objection, Hornbeck and his faction opted for the second alternative. It was the perceived shift in U.S. public opinion which made either alternative possible. Continuing Japanese expansion made an aid program to China inevitable.<sup>118</sup>

In light of Hull's and Grew's opposition to economic sanctions against Japan, Hornbeck opted for economic aid to China. Here he was joined by other policymakers, such as Henry Morgenthau Jr., Secretary of the Navy Frank Knox and, Secretary of War Henry L. Stimson. Stimson apparently convinced FDR of the necessity for stronger measures against Japanese aggression. In October 1937, Stimson had appealed for governmental action to ban trade with Japan. Meanwhile, U.S. officials in China also advocated U.S. economic aid to that country. Furthermore, Admiral Henry Yarnell, the Commander-in-chief of the U.S. Asiatic fleet, added his weight to giving China aid. Yarnell was fully convinced that Japan was a threat to the U.S. For a time, these arguments were blocked by the State Department.<sup>119</sup> Chinese representatives were despairing of any change. Since the beginning of the war Chinese diplomats in London and Washington had tried to get financial assistance but without success. The Soviet Union was the first country to grant economic

and military aid to China.<sup>120</sup> In the United States, Hull and other high officials in the State Department vigorously opposed any economic aid to China. Morgenthau's silver purchasing effort, however, continued and in the first year of the Sino-Japanese War, America bought a total of 312 million ounces of Chinese silver for the price of \$138,000,000.<sup>121</sup>

In March, 1938, China requested a loan of \$10,000,000 from the New York Bankers Trust Company. But when company officials asked the attitude of the State Department, Hornbeck, under Hull's instructions, rejected the idea of the U.S. government taking responsibility for such a transaction. After having failed to get the support of the State Department, the Bankers Trust Company refused to grant a loan to China.<sup>122</sup> Deterred by the State Department, the frustrated Chinese Ambassador Hu Shih again called on Hornbeck and requested even a token loan, which he thought would at least bolster Chinese morale.<sup>123</sup>

Hull remained adamant about economic aid to China. In May, 1938, China attempted to buy a thousand trucks from the Chrysler Corporation which she hoped to finance with a loan from the Export-Import Bank. Hornbeck supported the project as a "sound business deal," and urged that for America's own interests' China should be aided against Japan.<sup>124</sup> But Hull vetoed the project, despite the willingness of Warren L. Pierson, President of the Export-Import Bank to co-operate with the Chinese.<sup>125</sup>

The international military situation however, continued to deteriorate. The success of German Jingoism, militant expansionism, influenced Japan to carry out more vigorous attacks on China, and

the Japanese captured Nanking and threatened the KMT's control over Canton and Hankow. The fall of Nationalist China seemed imminent. When in August, 1938, Hu Shih called on Hornbeck and requested a \$32 million loan for buying wheat and cotton goods, Hull did not give any commitment to the Ambassador but agreed to explore the possibility of a loan.<sup>126</sup> Under Hull's instructions, Hornbeck soon met with the Export-Import Bank President and discussed ways to aid China. Pierson, already convinced, readily declared his readiness to grant a political loan to China. Jesse Jones, Chairman of the Reconstruction Finance Corporation also expressed willingness to cooperate with the State Department on this issue.<sup>127</sup> Despite Morgenthau and Hornbeck's support for this plan, as Kenneth McCarty notes, "Hull and many of his advisors continued to oppose a loan to China for they did not want to take sides in the conflict and run the risk of Japanese retaliation."<sup>128</sup>

The next request to grant aid to China came from William C. Bullitt, U.S. Ambassador to France and a longtime friend of FDR. In order to overcome Hull's opposition, both Stanley K. Hornbeck and Henry Morgenthau Jr., contacted Bullitt who was to convince President Franklin D. Roosevelt. While travelling in Europe, Morgenthau discussed with Bullitt the question of granting a loan to China in July, 1938. In August, Bullitt urged the president to grant China a loan of \$100 million to buy flour and cotton goods in the United States. Bullitt assured FDR that a loan to China by the U.S. would influence Britain and France to take similar action.<sup>129</sup> Bullitt's advice, according to Morgenthau, caused Roosevelt to instruct the Treasury Department to push the question of U.S.

economic assistance in the sale of flour and grain goods to the Chinese government with the Departments of State and Agriculture and even with the Reconstruction Finance Corporation, the Commodity Credit Corporation, and the Export-Import Bank.<sup>130</sup> Hull had opposed such a deal unless an identical offer was made to Japan. However FDR postponed a final decision about the loan until the arrival of a group of Chinese financiers who had been invited to confer with officials in the Treasury Department.<sup>131</sup>

Again, Secretary of the Treasury Henry Morgenthau took the lead in aiding China. He was extremely eager to do something to help China, as he understood that the Silver Purchasing Program was not adequate and China's silver supply was nearly exhausted. Morgenthau realised that China needed large amounts of credit to buy strategic materials.<sup>132</sup> While in France, in early August, 1938, Morgenthau "suggested to the Chinese Ambassador in Paris that the Chinese government should send K.P. Chen to Washington" to discuss trade credits.<sup>133</sup> When the Chinese delegation headed by K.P. Chen came to Washington in late August, 1938, Morgenthau argued that this "mission represented the last opportunity to keep the Western Pacific from being completely dominated by Japan."<sup>134</sup>

Upon his arrival Chen met Morgenthau and demanded an immediate substantive cash loan to prevent the collapse of the Chinese resistance.<sup>135</sup> After a long negotiation in late September, 1938, Henry Morgenthau and K.P.Chen worked out a plan to secure a loan from the Export-Import Bank. The credit was to be arranged on future shipment of tung oil (used in varnish and paint) from China.<sup>136</sup> The amount of the credit was to be \$25 million. The actual cash would

be given to the Universal Trading Corporation(UTC), to buy American trucks, oil products, and essential commodities.<sup>137</sup> Tung oil sales would extend over a period of five years, but in order to meet the immediate needs of China, the Treasury Department proposed that the Export-Import Bank loan China 50% of the value of the oil immediately. After finishing the details of the loan, Morgenthau presented it to the President who asked the State Department's opinion. Both Secretary of State Hull and Far Eastern Division head Maxwell Hamilton opposed the project on the ground that it would antagonize Japan and might gradually lead the United States into war. Moreover, Hull believed that the proposed loan to China might invoke a hostile reaction from isolationists in the Congress and was a technical violation of the neutrality laws. On the other hand, Hamilton opposed the project as impractical and unsound from a business point of view.<sup>138</sup>

Hull, however, allowed Hornbeck to present a dissenting opinion to the President. In his memorandum of November 14, 1938, Hornbeck persuasively argued that this tung oil credit to China would be the first step in a "diplomatic war plan" against Japan's "predatory imperialism." Hornbeck further claimed that if Japan was not stopped in China, the United States would soon be facing Tokyo's forces closer to home. Hornbeck mentioned that in order to continue their resistance against the Japanese, the Chinese desperately needed supplies like arms, "and to get this they must have money or credits.... Better to have Chinese soldiers continue to fight Japan and to take now the small risk of an attack by the Japanese upon ourselves than to take the risk of a stronger Japan, a Japan

dominated and using the resources(including manpower) of China in support of her onward march of conquest."<sup>139</sup>

Despite Hornbeck's forceful arguments, Secretary of State Hull, as usual, remained unconvinced. But other factors forced the administration to consider the matter of financing China's resistance. As Schaller puts it, "Morgenthau's lobbying efforts, Hornbeck's supports for the project, and the American shock at the recent dismemberment of Czechoslovakia consequent to the Munich agreement all magnified the importance surrounding the argument over whether to grant China economic credits." Moreover, Schaller also mentions that the news of Soviet Union's aid to China made Morgenthau and other high ranking officials worried about possible Soviet Communist influence in China.<sup>140</sup> They did not want to see China dominated by the Soviet Union.

Japan's military operations proved another factor in bringing a change in the FDR administration's attitude. As Japan blocked the Chinese coastal areas and controlled almost all her seaports, China was left with only three routes to maintain her contact with the outside world. One was the Old Silk -Route which runs from north-west China into Russia, and very little American aid could be sent through this route. The second one was a railroad from the Port of Haiphong through Indo-China into South-Western China, which the Japanese could stop at any time. The third one was the 650 mile-long Burma-Yunnan Highway, which was not yet completed. As China's seaports were occupied by Japan and air transport was not sufficient, China became entirely dependent on supplies over these three routes by truck. Thus China needed adequate truck supplies,

spare parts, gasoline, and lubricating oil, and Chen's mission was to obtain American technical and material assistance for the development of China's truck transportation network.<sup>141</sup> Japanese activities in China further aggravated the situation. On November 3, 1938, shortly after the Munich settlement in Europe, the Japanese government issued a statement by which Japan sought to establish a new order in East Asia and declared its foundation to be the "tripartite relation of mutual aid and coordination between Japan, 'Manchukuo' and China in political, economic, cultural and other fields". Other powers were called upon to understand correctly Japan's aim and to adapt their attitude to the new conditions in East Asia.<sup>142</sup>

This Japanese move evoked strong rejoinders from the United States, Britain, and France. In parallel but independent actions, the communications of the three governments which were addressed to Tokyo separately were alike in challenging and repudiating Japan's pretension of a Pax Japonica and reasserted that international relations in the Far East must continue to be governed by the terms of existing treaties.<sup>143</sup> However, these protests failed to produce any positive results in favor of maintaining the Open Door policy in China. As one historian F.C. Adams noted, "with this declaration, Japan issued an outright challenge to the historic Far Eastern policy of the U.S. If American leaders acquiesced in the Japanese demands, the American interests in East Asia would fall under the control of Japan."<sup>144</sup> This declaration of a New order in East Asia was again followed by Japanese military victories in Hankow and Canton. During this time, the Chinese officials were so desperate



for American aid that the U.S. Naval attache at Nanking, James McHugh, was informed by the Chinese that Chiang might have to come to an understanding with Japan.<sup>145</sup> It prompted the FDR administration to take a prompt measure in extending the credit to China. Hull, however, remained adamant.

Morgenthau again made efforts to get FDR's approval for the tung oil project. An opportunity appeared to Morgenthau when Hull departed for the Lima Conference and left Under Secretary Sumner Welles in charge of the State Department in late November, 1938. Under an arrangement whereby Morgenthau agreed to help Welles with certain problems in Cuban-American relations, Welles promised to talk to the president about the Chinese situation. After he met FDR, Welles advised Morgenthau that the deal would go through.<sup>146</sup> On November 30, 1938, under the joint endorsement of Morgenthau and Sumner Welles, FDR gave his oral approval for the credits.<sup>147</sup> Morgenthau later commented about this victory over Hull that the State Department "blocked it for months but I got the thing all cooked up... We waited until Hull got on the boat for Rio and one week out the president said, 'Yes'."<sup>148</sup> Despite Hull's absence, the State Department threw up as many road blocks as possible. After giving his consent, FDR left Washington for Hyde Park. During this time the State Department objected on the ground that the project involved the cooperation of the Chinese and the American governments to create a virtual monopoly on tung oil exports, which might violate the Nine-Power Treaty and the Sino-American Treaty of 1844.<sup>149</sup> In order to overcome this objection, Morgenthau arranged to keep both governments out of the contract and to have the

contract provide for the purchase of only that proportion of China's tung oil production which the U.S. had purchased in 1937. A final complication arose on December 4 when Hull indicated that he could not approve the proposed transaction by sending a telegram to Sumner Welles from on board S.S. Santa Clara.<sup>150</sup>

On his return to Washington, FDR gave formal approval to the deal despite Hull's objections. On December 13, the Export-Import Bank agreed to extend a credit of \$25 million to the UTC with the understanding that China would repay the credit over a five-year period from the proceeds of the sales. On December 15, the RFC issued a press release announcing the agreement as a commercial transaction.<sup>151</sup> On December 19th, Morgenthau extended the arrangements of July 9, 1937, which allowed the Central Bank of China to obtain dollar exchange for stabilization purposes beyond December 31, 1938, and thus was able slightly to supplement the sum for China.<sup>152</sup>

The year 1938 marked the turning point in America's policy toward the Sino-Japanese conflict. Although the extension of a twenty-five million dollar credit to China was not itself a significant measure, it was the beginning of U.S. determination to restrain Japan by strengthening China. The credit's importance "both material and symbolic far transcended its face value."<sup>153</sup> In fact, this commitment to China also represented "the first material pressure which the U.S. government took in its attempt to restrain the post-1937 Japanese expansion and thereby to safeguard American interests in China."<sup>154</sup> The American government's decision to extend credit to China also influenced other countries to assist

China. On December 20th, 1938, the British government granted a L500,000 Sterling credit to China.

Although Japan reacted angrily to this new American measure, from the Chinese point of view, the tung oil credit strengthened China by providing funds for her transportation network and bolstered Chinese morale which to Ambassador Nelson Johnson, "was at an all time high," Nelson doubted that, due to the presence of this high morale, Japan "would be able to complete the conquest of China."<sup>155</sup> It also led the Chinese to expect more and more credit in future, and encouraged the development of a manipulative attitude toward the United States. One Chinese negotiator informed H.H. Kung that "the \$25 million is only the beginning...Further large sums can be expected...This is a political loan...America has definitely thrown in her lot and cannot withdraw...Our political outlook is now brighter."<sup>156</sup> The signing of the tung oil credit agreement with China was followed by an increasing eagerness of the FDR administration to grant further economic aid to China. Factors including the shifting military balance in Europe, the outbreak of the Second World War, Japan's forward march into South East Asia, and China's capacity to manipulate the Washington political situation greatly contributed to this change in American policy toward China.

As the Japanese advance continued, a few officials in Washington advocated financial assistance to China. In two memoranda Hornbeck tried to prove that China, with all its resources, was strategically important as the key to South East Asia. To preserve U.S. and Western control over Asian resources

Hornbeck urged the administration to resist increasing Japanese pressure on China at all costs. He advocated an embargo on Japan as a proper way to achieve that objective.<sup>157</sup> Supporting him, John Carter Vincent of the Far East Division presented a memorandum to Hornbeck in which Carter urged the maintenance of an independent China from both the control of either Japan or the Soviet Union by increasing economic aid.<sup>158</sup> Nelson T. Johnson held a similar opinion. While in Washington for a brief visit in February 1939, the Ambassador urged the President to play a stronger role in order to preserve civilization from the destructive forces of dictatorship. To Johnson, the U.S. had to do what it can to "assist and encourage the Chinese in their fight for an independent national existence."<sup>159</sup> From the Treasury Department, Morgenthau's aide Harry D. White favored a credit of US \$35 million based on future Chinese tin exports to the U.S., which he believed "would materially strengthen her staying power against Japan, decrease her dependence upon Russian assistance."<sup>160</sup> White also believed that this loan would insure all "reconstruction war" and trade with postwar China.<sup>161</sup> What White actually meant was that this loan would be the beginning of a U.S. commitment for China's post-war reconstruction, and this would ultimately open China's vast market to American trade because China would be virtually dependent on U.S. supplies.

Despite strong pressure from within the administration in favor of assisting China, Morgenthau found it impossible to shake Secretary Hull out of his fear of further antagonizing Japan.<sup>162</sup> Even FDR did not dare to grant a new loan to China. Because the presidential election of 1940 was approaching, Roosevelt did not

like to challenge the isolationists in the Congress and to engage in what they would definitely regard 'as warmongering'.<sup>163</sup>

But the changing international perspective and Japan's activities made inevitable another loan to China. Public opinion began to urge pressure in favor of a sanction against Japan, and in July, 1939, the State Department finally gave a six months notice about the abrogation of the commercial treaty of 1911. The Chinese meanwhile were not idle. K.P. Chen who was still in the U.S. to help with the operation of the 1938 credit, in October, 1939, under H. H. Kung's direction asked the U.S. for a loan of \$75 million to be based on future tin exports. Negotiations moved slowly because the Chinese were asking for far more than the Export-Import Bank was authorized to loan to any country.<sup>164</sup> This impasse was at last overcome when the news of the establishment of a Japanese puppet regime in China reached Washington. On March 30, 1940, Wang Ching Wei finally established a Japanese front government with its capital at Nanking.<sup>165</sup> Thus, there remained practically "no hope of Japan ever agreeing to reach a settlement with [the] ChungKing regime."<sup>166</sup> Both FDR and Hull realized the need to support Chiang against the Japanese puppet Wang. Meanwhile Hornbeck suggested two possibilities to Hull--"economic retaliation against Japan" and "economic assistance to China."<sup>167</sup> Hull again showed his resistance to sanctions. He was finally convinced by Hornbeck to support a loan to China. In March, 1940, Congress authorized a twenty million dollar loan for China, and the agreement which Morgenthau worked out was signed on March 7, 1940. According to its terms, China agreed to repay the loan by delivering 40,000 tons of tin to the U.S. for the

next seven years. "Far short of China's financial requirement, the loan nevertheless gave the Nationalist government encouragement, and it enabled the U.S. to stockpile tin,"<sup>168</sup> as reported in Morgenthau's biography.

The Chinese did get the U.S. as a vast potential source for more assistance. Taking advantage of their opportunity, the KMT government began manipulating this vast reservoir of generosity by artistically presenting their helplessness. As well, Japanese activities helped to make easier this Chinese manipulation. After signing the second loan agreement in June, 1940, T.V. Soong, Chiang Kai-shek's personal envoy to the U.S., asked for a credit of "US \$50 million secured on exports of tungsten to buy non-military goods and to improve transit to China"<sup>169</sup>.

Soong presented his case to both State Department and Treasury Department officials and talked with both Hornbeck and Morgenthau. This time Soong presented a novel triangular scheme. According to this proposal, the U.S. should buy certain strategic materials from Russia and Russia was to be paid with dollars. Russia would then use the funds to provide military aid to China, which the U.S. could not do under the neutrality law even though FDR had not invoked it. The plan marked an important political development, and it seemed "to be the first time that Chinese Nationalists attempted to involve both Washington and Moscow in a scheme to aid the Nationalists."<sup>170</sup> Although this proposal was attractive to FDR and Morgenthau, and the Russian Ambassador Constantine Oumansky showed interest, Hull and Sumner Welles vigorously opposed the suggestion of trading with Russia, which was virtually an ally of Germany.<sup>171</sup> The U.S.S.R.

also declined to carry out a triangle trade deal with China.

In the middle of 1940, when Western Europe collapsed before Germany, and Britain temporarily closed the Burma Road under Japanese pressure, Chiang Kai-shek proposed to FDR and Morgenthau that the U.S. accept an economic protectorate over certain parts of China and guarantee its protection from Japanese aggression. Further, in return for postwar U.S. rights and naval facilities, Chiang requested a major supply of planes, large amounts of economic aid, and dispatch of military experts to China. "These staggering proposals" as Michael Schaller says ... were nonetheless important in indicating the direction in which Chinese thought had moved." Although the FDR administration rejected this request, it indicated the desperate need for military aid to China, and also an attempt to obtain a commitment for long-term U.S. involvement in China.<sup>172</sup> But during this desperate international situation, the U.S. could give very little thought to its future economic role, vis-a-vis China, although it had the desire to do so. Of course Chiang's proposal for a protectorate was against recognized U.S. policy toward formal imperialism.

Meanwhile, the efforts for a new loan were going on. This time both Hull and Morgenthau cooperated. Hull, while getting tougher with the Japanese, was still unwilling to impose an embargo on Japan. He found assisting China a rather easier task. With the initial approval of FDR for a twenty million dollar credit, Hull and Morgenthau arranged with Federal Loan Administrator Jesse Jones to grant China a credit of \$25 million. In this way, the third loan to China was granted on September 26, 1940. Soong signed for this

loan on behalf of the Central Bank of China. This loan was also granted by the Export-Import Bank, and was guaranteed by the government of China. "Unlike the first two loans, the third loan could be used for the purchase of military supplies as well as of civilian goods. According to the terms of the contract, China would repay the loan in five years by the shipment of tungsten or wolfram," an American summary stressed.<sup>173</sup>

At the time of granting the third loan in September 25, 1940, Hull and Morgenthau assured China of future aid. Inspired by this indication, Generalissimo Chiang Kai-shek again immediately asked the U.S. for a large amount of military aid. But Chiang's desire was more to eliminate the Communists than to fight the Japanese. In fact, Chiang had not gotten along with the Communists since the fall of 1938, when he had refused to mobilize the peasants as the Communists suggested. Chiang was also afraid of the growing Communist strength both within and behind Japanese-occupied lines. The United Front was on the verge of collapse. Chiang was afraid of the Communist Red Army and regarded them as China's "disease of the heart", while he called the Japanese as a "mere disease of skin." By the end of 1940, Chiang was determined to attack and destroy the Communist New Fourth Army, south of the Yangtze River. During a meeting with the U.S. Ambassador Nelson T. Johnson, Chiang expressed his desire for a large loan, one thousand military aircraft, and American volunteer pilots, which he believed would enable him to deal with China's real enemy, the Communists. As a strong anti-Communist, Chiang believed that this would free himself from being dependent on Moscow. Although Johnson was opposed to the plan of



Chiang's complete break with the Communists and the Soviet Union, he favored a timely aid to China by the U.S. and U.K. without which, he believed "may in the end result in communist ascendancy in China."<sup>174</sup> Whatever may be the case, Japanese recognition of Wang Wei Ching's puppet government in late November 1940 prompted Nelson to recommend immediate political and financial support to China to bolster Chiang and thereby to avoid the imminent collapse of ChungKing.<sup>175</sup> At this point FDR himself took the initiative. On November 29, 1940, FDR phoned Morgenthau to arrange a one hundred million dollar loan to China within the next 24 hours.<sup>176</sup> Morgenthau believed he needed time to go before Congress. But under Soong's influence both Hull and Welles conferred with Morgenthau and arranged for an early announcement without going to the Congress.<sup>177</sup> Morgenthau resented the way Soong and the other Chinese were manipulating the American bureaucracy. In fact, Morgenthau wanted a system of supervision over the practical use of American funds going to China.<sup>178</sup>

On December 1, 1940, the fourth (final pre-Leand-Lease) loan was granted to China. It consisted of two separate loans. One US\$50 million grant was for currency stabilization and was given from the Stabilization Fund of the U.S. Treasury, with repayment guaranteed by the Chinese government. At the same time, another US \$50 million was granted by the Export-Import Bank. This loan consisted of US \$25 million in cash granted to the Central Bank of China and US \$25 million in credits available to the Universal Trading Corporation. The contract for repayment was signed on February 4, 1941 and called for shipments of tin, antimony, and

tungsten from the National Resource Commission of China to the Metals Resource Company. The funds were to be returned in seven years from the date of contract.<sup>179</sup>

A brief review of events related to the United States economic assistance program toward China between 1936 and 1940 indicates that there was no systematic U.S. policy toward China and that no one person or agency in the FDR administration determined the economic aid policy. Morgenthau was the center of efforts within the FDR administration to aid Nationalist China, and later he found an ally in the State Department's Stanley K. Hornbeck. The State Department, however, frustrated most of Morgenthau's plans. Secretary of State Hull and Ambassador Joseph C. Grew were the center of a faction which opposed aid to China. As a result, major Departments of the U.S. government essentially had two different policies toward China, and U.S. policymakers worked at cross purposes. Furthermore, American civilian and military planners developed different perspectives regarding China.

Even after the signing of the November 1940 loan agreement with China, "lines of authority remained blurred as various agencies claimed jurisdiction over setting and implementing policy." The resulting confusion both interfered with coherent, long-ranged planning and allowed Chinese lobbyists, such as T. V. Soong, to manipulate decisions.<sup>180</sup>

At the end of 1940, President Roosevelt decided to play a more direct role in dealing with China's problems. FDR wanted to establish central control over China policy. "The president set out to forge a tightly administered program designed not only to

expedite economic aid but also to transform China into a useful military and political ally of the United States."<sup>181</sup> Developments in Europe also prompted FDR to assume more personal control over foreign economic aid. Stalin's assault on Finland in late 1939, the fall of Denmark, Norway, Belgium, Holland, Luxembourg and the fall of France in June, 1940 to Germany compelled the U.S. to abandon its technical neutrality toward Britain in favor of "an unneutrality that would bail out Britain."<sup>182</sup> After his victory in the elections of 1940, FDR had greater freedom of action. Roosevelt proclaimed the Lend-Lease policy, using "the analogy of lending a garden hose to a neighbor, whose burning house endangers one's own, and then expecting it back when the fire is out." Roosevelt proposed to lend arms and other assistance directly to those nations resisting aggression, purporting to expect the return of this equipment (or replacements for it) when the fire was out.<sup>183</sup>

In January, 1941, Roosevelt introduced the Lend-Lease bill into the Congress under the name "An Act further to promote the Defense of the United States ". The bill aimed at giving the president wide discretionary power to grant huge amounts of military aid to defacto allies. FDR regarded Lend-Lease as part of a global policy of self-defense against aggression.<sup>184</sup> Moreover, it also intended "to make the White House center of military and economic aid to Great Britain and China", and the president himself could direct the transfer of strategic aid directly to allies whose defense the president deemed vital to the defense of the United States.<sup>185</sup> In March, 1941, Congress passed the Lend-Lease Act by an overwhelming majority.

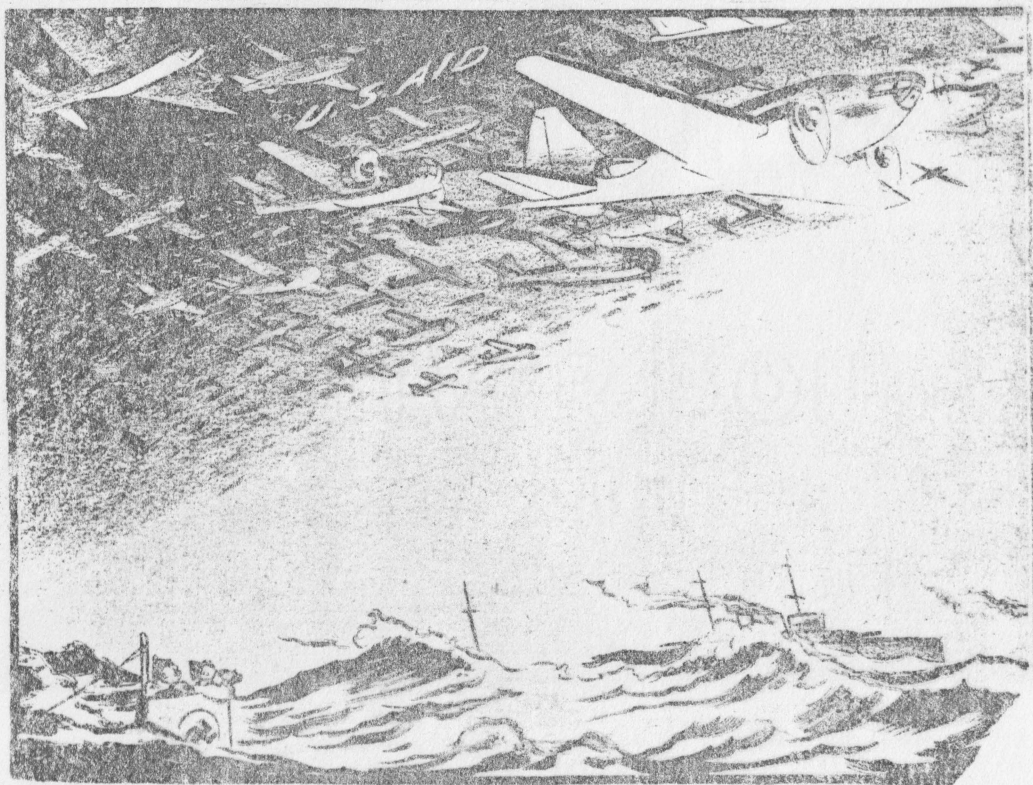
U.S. aid to China from 1937 to the passage of Lend-Lease sets



INS

"We shall send you in ever increasing numbers ships, tanks and guns." President Roosevelt addresses Congress on the State of the Nation, January 6, 1941, and asks for legislation to implement the Lend-Lease idea.

*With permission of Low and the "London Evening Standard"*



**BLACK-OUT TIME**

Source: E. R. Stettinius, Jr. Lend-Lease: Weapon for Victory.



*Acme*

Secretary of State Cordell Hull testifies in support of the Lend-Lease Bill, before the Senate Foreign Relations Committee, January 15, 1941.

Source: Edward R. Stettinius, Jr., Lend-Lease: Weapon For Victory



OVI

The House Foreign Affairs Committee hears testimony on the Lend-Lease Act, February 1943. Seated from left to right are: Representatives Charles A. Eaton, Edith Nourse Rogers, Robert B. Chipfield, John M. Vorys, Foster Stearns, Karl E. Mundt, Bartel J. Jonkman, Frances P. Bolton (behind Jonkman), Charles L. Gerlach, Mike Mansfield, J. W. Fulbright (hands on forehead), Will Rogers, Jr., Thomas S. Gordon, Herman P. Eberharter, W. O. Burgin and Pete Jarman.

Secretary of War Stimson testifies in favor of the extension of the Lend-Lease Act during the hearings before the House Foreign Affairs Committee, February 8, 1943. Left to right: Representative Luther A. Johnson, Secretary Stimson, Chairman Sol Bloom and Representative Charles A. Eaton.

OVI



Source: E. R. Stettinius, Jr. Lend-Lease Weapon for Victory.



Edward R. Stettinius, Jr. discussing with the President the Seventh Lend-Lease Report to Congress, December 1942.

Source: Edward R. Stettinius, Jr., Lend-Lease: Weapon for Victory.

the background for Lend-Lease aid, which did not make a radical break with previous U.S. policy after 1937. Before the U.S. aid policy was caught in a conflict between Cordell Hull on one side who wanted not to antagonize Japan, and Henry Morgenthau who wanted to aid China even at the risk of alienating Japan. The Marco Polo Bridge incident and sinking of the Panay, were pivotal events which moved U.S. policy out of the Hull-Morgenthau contradiction to the general consensus that the U.S. must support China against Japan in 1937. The beginning of Lend-Lease aid to China in May, 1941, was not a new policy but rather a new comprehensive and conditional implementation of the policy to support China against Japan. Also, the scope of Lend-Lease far exceeded anything attempted before. The Lend-Lease and other aid programs to China which started predominantly after Pearl Harbor, were not only intended to strengthen Chinese wartime resistance, but also, outlined a major post-war economic integrity and reconstruction of China.



## Chapter Two

Meeting China's Immediate Needs: Operation of the Civilian Lend-Lease and Other U.S Financial Assistance to China 1941-1945.

To implement the concept of America as the "arsenal of Democracy"<sup>1</sup> President Franklin D. Roosevelt submitted the Lend-Lease Bill to Congress on January 10, 1941. This bill was to provide for supplying of goods and services to countries fighting against the Axis powers. The Foreign Affairs Committee of the House of Representatives and the Foreign Relations Committee of the Senate held public hearings in January and February, 1941.<sup>2</sup> Probably no greater array of witnesses ever appeared before a congressional committee: the list included Secretary of State Cordell Hull; Secretary of the Navy Frank Knox; Secretary of War Henry L. Stimson; Secretary of Treasury Henry Morgenthau Jr., William S. Knudsen, Director of Production Management; William C. Bullitt former Ambassador to the U.S.S.R. and then Ambassador to France; Joseph P. Kennedy, Ambassador Extraordinary and Plenipotentiary to Great Britain; and William Green, President of the American Federation of Labor.<sup>3</sup> After days of fierce debate, the House of Representatives passed the bill on February 8, 1941, by a vote of 260-165. On March 8, the Senate passed the bill by a vote of 60-31. On March 11, 1941, the President signed the bill into law.

The Lend-Lease program initiated by the legislation, faced an immediate desperate crisis. It was one thing to order and arrange payment for military supplies sent to Britain and other belligerents, but it was something else to produce the goods and get that material delivered. To deal with the problem of delivery, President Roosevelt, on October 9, 1941, asked Congress to modify

the Neutrality Act by repealing sections which prohibited the arming of U.S. merchant ships engaged in foreign commerce. Responding to the president's appeal, Congress by a joint resolution repealed Sections 2,3, and 6 of the Neutrality Act of 1939, thus permitting United States merchant vessels to be armed and defend themselves. It paved the way for the U.S. Government to render effective aid to those nations which were eligible under the terms of the Lend-Lease Act.<sup>4</sup>

Unfortunately, little could be done to solve the production crisis. For many months, America's promise to become an arsenal proved an empty boast. Conversion to wartime production was a slow process. The "Act to promote the defense of the United States", as the Lend-Lease Act was officially titled, authorized the president "to sell, transfer, title to, exchange, lease, lend, or otherwise dispose of defense information to the government of any country which he deemed vital to the defense of the United States". Defense articles and information were broadly defined to include all types of goods like food and non-military supplies and services necessary for the waging of total war. The Act offered the President discretionary power to transfer such items on his own terms to "deserving" countries. It also required the President to report quarterly to congress on the operations of Lend-Lease. Congress reserved right to withdraw the President's delegated powers. Any such exchange in excess of \$1.3 billion had to be approved by either the US Army Chief of Staff, or the Chief of Naval Operations or both. This "billion three" clause formed the basis for most of the aid in the first few months of activity, even though Congress

appropriated \$7,000,000,000 for it on March 27, 1941. Passage of the act, however, could not provide instant aid as it would take time to convert policy into war materials.<sup>5</sup>

In the beginning, Harry L. Hopkins had the chief responsibility for Lend-Lease administration and policy. His staff was taken principally from the President's War Department's Liaison Committee headed by J. H. Burns. In addition to this staff of fewer than twenty people, there were thousands of officials from other governmental departments and agencies involved in the operation of the program. As Edward R. Stettinius, Jr., stated: "The Lend-Lease program cut across the entire war effort. It was intimately involved with our foreign policy, our defense production, our military policy, our naval policy and our foreign policy."<sup>6</sup> The Navy, War, and Agriculture Departments later played a major role in procurement and supply procedures concerning Lend-Lease goods.

By the end of summer, 1941, Lend-Lease had emerged as a broad and complex program of production and delivery. The administrative burden was correspondingly heavy. Besides all the problems of production, there were the pressing problems of delivering the goods by sea or air to all allied countries in Europe, Asia, and Latin America. The Nazi attack upon the Soviet Union on June 22nd, 1941, caused a major revision of the Lend-Lease program, and greatly expanded its horizons.<sup>7</sup>

Until August, 1941, Roosevelt personally signed every Lend-Lease allocation order and transfer letter. In late August, the president, by executive directive, appointed E. R. Stettinius, Special Assistant for Administration of Lend-Lease. Later, on

October 28, 1941, the president by another executive order created the Office of Lend-Lease Administration and appointed Stettinius its director. The President, however, kept Lend-Lease policy making in his own hands, while the State Department was responsible for policy implementation and negotiation of Lend-Lease agreements.<sup>8</sup>

Although Lend-Lease was originally intended to aid Britain with goods and war material, it was eventually expanded to include over forty countries and became an invaluable source of military and civilian supply.<sup>9</sup> After Britain and Greece, China was the third country to get a share of Lend-Lease assistance. "The United States", noted a government history of US aid, "had already been giving assistance to China, in accordance with the American policy of extending aid to nations resisting aggression, but now that assistance was accelerated and increased in in scope by Lend-Lease, and military and financial assistance."<sup>10</sup>

President Roosevelt, on March 15 1941, four days after the passage of the Lend-Lease Act declared; "There is no longer the slightest question or doubt that the American people recognize the extreme seriousness of the present situation. That is why they have demanded and got a policy of unqualified, immediate, all out aid for Britain, Greece, China and for all the Governments in exile whose homelands are temporarily occupied by the aggressors.... From now on that will be increased and yet again increased until total victory has been won.....China likewise expresses the magnificent will of millions of plain people to resist the dismemberment of their nation. China, through the Generalissimo Chiang Kai-shek, asks for our help. America has said that China shall have our

help."<sup>11</sup> After the development of a program to meet the emergency needs of China, the President, on May 6 1941, declared the defense of China vital to the defense of the U.S. A Master Lend-Lease Agreement with China was signed on June 2, 1942.<sup>12</sup>

What China received from the United States via did not mark a change in US policy; indeed, it continued the policy beginning in the late 1930's expressed in export-import bank loans, stabilization credits, and shipments of military, agricultural, and industrial goods. The circumstances leading to Lend-Lease also indicated that it was a continuation of contradiction and confusion. The State Department itself emphasized the continuity of US policy. One month after the passage of the Lend-Lease act, the State Department, in a telegram to the American Embassy to Chungking stated: "friendship of this Government for China and its sincere interest in the maintenance of the strength and integrity of the Chinese National Government has been demnstrated over a considerable period of years, and especially at the present time it is unmistakably clear and manifest. There has been extended to the Chinese Government a certain amount of financial and economic assistance through the purchase of China's silver by this Government; the extension of loans and credits, the contributon to China's stabilization fund, and in other ways. This Government has sought to co-operate with the Chinese Government in measures designed to strengthen the Chinese currency internally and externally and to furnish China with necessary supplies from abroad. At the present time under the Lend-Lease act, it is our design and intention to intensify our assistance in regard to supplies. It is our desire and intention to

take all other appropriate and practicable steps which might contribute to the strength of the Government; and to the ability of the Chinese nation to resist aggression."<sup>13</sup> The State Department Officials who composed the telegram failed to mention or were unaware of the fact that Lend-Lease would greatly accelerate US aid.

Another important factor was the desperate Chinese situation. China had been resisting Japanese aggression since 1931, and psychologically the Chinese felt themselves in the forefront of resistance to militarism. Exhausted and nearly bankrupt, Nationalist China welcomed Japan's participation in the Axis alliance and the outbreak of the Second World War. For Chinese leaders realized that China would no longer face Japan alone, and that the defeat of Japan and the other Axis powers was certain and inevitable. "After suffering five years of war", Michael Schaller asserts, "most Chinese were merely relieved that some other people would absorb Japan's attention. The long implication of the Japanese-American conflict led KMT officials in Chungking to celebrate news of the war as loudly as must have been the case in Tokyo". The Chinese president, his Party and Officials began to regard their long stand against Japan a successful one. They had already learned the techniques of manipulating the US.<sup>14</sup> Chiang Kai-shek began pretending to show his eagerness to participate in the war of the democratic powers against the Fascist dictators. [Although Chiang himself was a dictator and China was being ruled by a one party Government in a fascist manner]. Chiang's main intention was to get an increased amount of US dollars. His representatives, T.V. Soong, K.P.Chen, and others, according to

Michael Schaeffer, were always physically present in Washington and lobbying the Roosevelt administration officials to grant China more aid.<sup>15</sup> The lobbying was a major factor in the granting of Lend-Lease aid to China.

On the other hand, the US also had several immediate and long-range objectives in helping China. The principal and immediate American aim was the "unconditional surrender" of Japan within an overall strategy of defeating Germany first.<sup>16</sup> To achieve this goal, the US followed a policy of keeping China in the Pacific war in order to make maximum use of her military potential and strategic position. In fact, China's physical presence in the war had the tremendous consequence of keeping a major part of Japan's Army tied down in the China theater. Otherwise, this part of the army could have been employed against the United States. Furthermore, it was necessary to prevent Japan from using China as a strategic base and economic source in its aggression against Southeast Asian nations, including the Philippines. American optimism was clearly articulated in a New York Times editorial which appeared two days after Pearl Harbor. "We have", it said, "as our loyal ally China, with its inexhaustible manpower - China which we did not desert in her own hour of need - China from whose patient and infinitely resourceful people there will now return to us tenfold payment upon such aid as we have given. In the presence of these allies we shall find the key to the strategy of the Pacific."<sup>17</sup>

Another objective which eventually proved to have far reaching consequences was the aim of making China a great power and treating China as one of the "Big Four" for the purpose of arranging a post



war political order in the Far East.<sup>18</sup> This vision of China, present and future, was held by FDR, most of his cabinet members, and many high ranking American officials. FDR held great expectations about the military value of China and an "Asian strategy centered upon elevating Nationalist China to great power status." Roosevelt believed that after the defeat of Japan there would be a power vacuum in Asia. He further believed that sooner or later the mighty British, Dutch, and French empires in Asia would decline. The two major emerging powers in the region would be the Soviet Union and Nationalist China. Indeed the structure of the post world war played a tremendous part in FDR's thinking. Sensitive to the rising tide of Asian nationalism, and to the political expansion of the USSR, he was determined that the US should influence these events. He looked forward to an Asia of stable prosperity governed by independent nation states emerging from the colonial empires. China, he believed, would play the role of the principal regional power in Asia, replacing Japan. FDR sought to join US power to the KMT and to create an effective war time and post-war ally. Lauchlin Currie, Harry Hopkins, James McHugh, Claire Chennault, Joseph Alsop, and Chiang Kai-shek encouraged and reinforced the President's thinking in this regard.<sup>19</sup> Moreover, during the war, both FDR and Harry L. Hopkins, on several occasions expressed the idea that Nationalist China would line up on the US side if there should be a major conflict of policy with Russia. In fact, this hypothesis provided a major incentive in taking a favorable attitude to the KMT government in China.<sup>20</sup> Secretary of State Cordell Hull maintained a similar view. "Toward

China we had two objectives," Hull wrote in his memoirs, "The first was an effective joint prosecution of war. The second was the recognition and building up of China as a major power entitled to rank with the three big western allies, Russia, Britain, and the United States, during and after the war, both for the establishment of stability and prosperity in the Orient."<sup>21</sup> Thus, the US followed a deliberate policy in the Far East regarding China combined with its military objective of the unconditional surrender of Japan.<sup>22</sup> But this policy of a rapid and unconditional surrender of Japan was not whole heartedly approved by the British and the Russians. They always advocated a Europe-first policy. Despite this opposition from Britain and the Soviet Union, the United States always tried to respond favorably to all kinds of Chinese requests.

The vision of China as a post war democratic great power was also supported by certain historical factors. China had been a civilized power for millennia and had a glorious military past. It was not inconsistent to think that with the end of European imperialism, there would be the emergence of a new and powerful China in the East. Moreover, the inspiring vision of making China a great power and treating her as one of the Big-Four, had always been implicit in the traditional principles of the Open Door Policy. Tyler Dennett, the first American to write a history of US.-China Relations, observed that it was a part of US Asian policy. Dennett believed that the "Corollary of the open Door was the policy of promoting an Asia strong enough to be its own Door keeper."<sup>23</sup> Similarly, the historian T. A. Bisson wrote, "A strong and unified China "capable of protecting her independence by her own efforts was

the main requisite for a more stable basis of peace in the Far East." When this condition was realized, he insisted, "the open Door doctrine, in its specifically Chinese application, would become an anachronism and cease to exist."<sup>24</sup> The FDR administration, by granting economic aid, was giving emphasis to the concept of the open Door, giving it a practical shape. "I never faltered in my belief," Hull wrote in his memoirs, "that we should do every thing in our power to assist China to become strong and stable. It was obvious to me that Japan would disappear as a great oriental power for a long time to come. Therefore, the only major strictly oriental power would be China. The United States, Britain, and Russia were also Pacific powers, but the great interests of each were elsewhere. Consequently if there was ever to be stability in the Far East, it had to be assured with China at the center of any arrangement that was made."<sup>25</sup> FDR's scheme also had advantages for American domestic politics, for it would neutralize those who were more concerned with the Far East than with Europe.<sup>26</sup>

Assumptions and desires about the post-war world also conditioned the US government's aid programs. President Roosevelt envisioned a world in which the US would act as an arbiter, conciliator, and teacher and which would adjust differences and conflicts between the other great powers- Great Britain, the USSR, and China- all the while inculcating them with new modes of international behavior. In order to put this plan into effect, it was necessary to make China a strong competent partner. "It would be easier to influence China's development internationally and internally," Cordell Hull concluded, "if she were on the inside of

any special relationship among the big powers, than if she were on the outside."<sup>27</sup>

Not only the fear of Soviet expansion, but also a fear of the British imperialism caused Roosevelt to regard China as a close ally of the US in the postwar period. In fact, FDR and many other Americans shared the bitter Chinese response to British imperialism.<sup>28</sup> FDR knew that he would have the co-operation of China in his policy of liquidating the colonial system in Asia.<sup>29</sup> Even Vice President Henry Wallace expressed concern against British colonial policy in Asia and America. As J. Samuel Walker has written, "Wallace's ideas for the postwar period were further shaped by his pan-Americanism, anti-European biases, and Anglophobia". Wallace "opposed British ambitions to maintain their empire and hoped that India would obtain its independence after the war...God had made America, he believed, to utilize its resources and democratic traditions to break the patterns of European diplomacy and usher in an era of freedom and abundance." Wallace also challenged Churchill's claims of Anglo-American superiority, and declared that those views were repugnant to other countries and to many Americans. He reasoned that in Asia the US "should strive to improve the lives of those people to advance its own interests."<sup>30</sup> Although Roosevelt expected the great powers to dominate the United Nations, he seemed to share Wallace's anti-imperialism and other doubts about the British. Furthermore, FDR was as emphatic as was Wallace in calling for the withdrawal of the European powers, as well as for the withdrawal of the Japanese, from political influence in the Far East and Southeast Asia.<sup>31</sup> The British, historian

Michael Schaller found, consistently objected to FDR's position that China was an equal because they perceived Chinese nationalism as a threat to the Empire. Furthermore, the British did not accept the altruistic element of US policy. As far as London was concerned, US policy was to make China sufficiently strong to police Asia while simultaneously remaining dependent upon the US.<sup>32</sup> Despite opposition from various quarters, FDR remained fixed in his attitude toward China and attributed to Generalissimo Chiang Kai-shek the idea of instituting some sort of interim international trusteeship to prepare the colonial possessions of European powers for independence. He also sought Russian Co-operation in this regard.<sup>33</sup>

FDR had another idea with respect to China. Since cosmopolitanism and the idea of a universal order have always been prominent features in Chinese political thought, FDR concluded that "in China the US found the most reliable adherent to her idea of establishing a just and peaceful order through the machinery of an international organization and the spread of international goodwill."<sup>34</sup> In the "program of Resistance and Reconstruction", a quasi-constitutional proclamation adopted by the Kuomintang Party Congress in 1938, China declared herself "prepared to safeguard and strengthen the machinery of peace."<sup>35</sup> In fact, the Chinese leaders had lost no time in strengthening this belief of FDR that China would be a grateful, friendly, and co-operative partner in the task of building and maintaining a just, peaceful, and stable order in the Far East.<sup>36</sup>

Sentimental impulses, traditional principles, and postwar plans provided only a general framework within which immediate military

considerations exerted their decisive influence. To keep Chinese civilian morale intact, the US sent several types of supplies and services which were not directly related to war, but which indirectly strengthened the war efforts of the Allied powers and economically saved China from collapse. This US civilian Lend-Lease aid to China can be divided into two periods: from January 1941 till the late fall of 1944 when the Chinese War Production Board was established, and from November 16, 1944, to the conclusion of the Soong-Crowley agreement of September 2, 1945.

When FDR introduced the Lend-Lease bill in the congress, Chiang's brother in-law T.V. Soong was present in Washington D.C. As soon as he came to know about the proposed Lend-Lease bill, Soong informed Chiang Kai-shek about this promised treasure trove for China. At the suggestion of Chiang, Soong urged Roosevelt to send a special envoy to Chungking to examine and investigate the economic situation in China. In fact, it was a kind of KMT arrangement to get FDR's attention and thus to get a share of possible Lend-Lease aid. The Chinese at first requested that Harry Hopkins be sent to China, but Roosevelt was not able to spare him. In order to establish a personal connection with Chiang and "to avoid the delays, leaks, and pressures that inevitably followed working through the State Department", Roosevelt accepted the Chinese proposal for sending a special representative. He dispatched his economic advisor, Dr. Lauchlin Currie to Chungking.<sup>37</sup> Currie became the first of many representatives Roosevelt sent to China to help transform it from an autocracy to a liberal political system, which was part of FDR's vision of post-war Asia.<sup>38</sup>

During his first visit to China, Currie talked to eminent Chinese leaders and tried to survey the needs of China. Chiang Kai-shek requested \$50 million dollars and a modern air force. In his report to the President, Currie recommended that the US accede to Chiang Kai-shek's demands, send American advisors and economic aid to China to bring about a reconciliation between the Communists and Nationalists. This would also enable Chiang Kai-shek to carry out several benevolent reforms. In short, Currie looked on US aid as a Chinese "New Deal."<sup>39</sup>

FDR did not accept all Currie's recommendations for several reasons, chief of which was China's excessive demands in the face of the material resources of the Allies when compared with the resources of the Axis powers in the early war years. Also, he realised that China's "usefulness as an ally depended on various uncertainties, without substantial shipments of American materials, Generalissimo Chiang Kai-shek remained, as he had been, incapable of significant military action."<sup>40</sup> Consequently, it became US policy to keep China in the war and to make her an "effective military ally by training her soldiers, sending supplies to her troops, giving air support to her armies and encouraging unity among the diverse political groups."<sup>41</sup>

In order to achieve this end, the US gave civilian, economic, and financial aid for the purpose of encouraging democratic tendencies.<sup>42</sup> The character and extent of this American civilian aid to China between 1941-1943 was limited by the resources and energies which could be spared from other theaters, as well as by transportation difficulties. Such assistance reflected the shifting

fortunes of war and was designed to meet a series of "emergencies," and for this reason was largely ad-hoc and short range in character.<sup>43</sup> But President Roosevelt was very much concerned and sympathetic with China's cause. President Roosevelt repeatedly promised that, "despite all odds.....to the Chinese armies and the Chinese people" Lend-Lease aid would continue. In fact, it constituted a political as well as a military commitment. Consequently, the Lend-Lease administration adopted a broad program of military aid, and non-military or civilian aid for delivery in China via the Burma Road.<sup>44</sup>

The non-military Lend-Lease program in China, which was definitely not as large as that to French North Africa and Britain, consisted of supplies requisitioned by China Defense Supplies, Inc., and provided by the Lend-Lease Administration. These supplies were consigned directly to Chinese authorities and transferred to them for their unsupervised use upon receipt.<sup>45</sup> This category of Lend-Lease aid included transport equipment for other than military operational use, raw materials, equipment, and supplies for direct or indirect munitions production in China. To the extent that actual or anticipated receipts of such materials provided tangible evidence of American support of the Chinese war effort "they manifestly contributed to the confidence of the Chinese people in their own political and military leadership."<sup>46</sup> The character of the goods delivered under these programs, as it was stated in the report, "closely paralleled each other and were governed by the difficulty in getting goods to where they were needed."<sup>47</sup>

In translating the funds from the first Lend-Lease

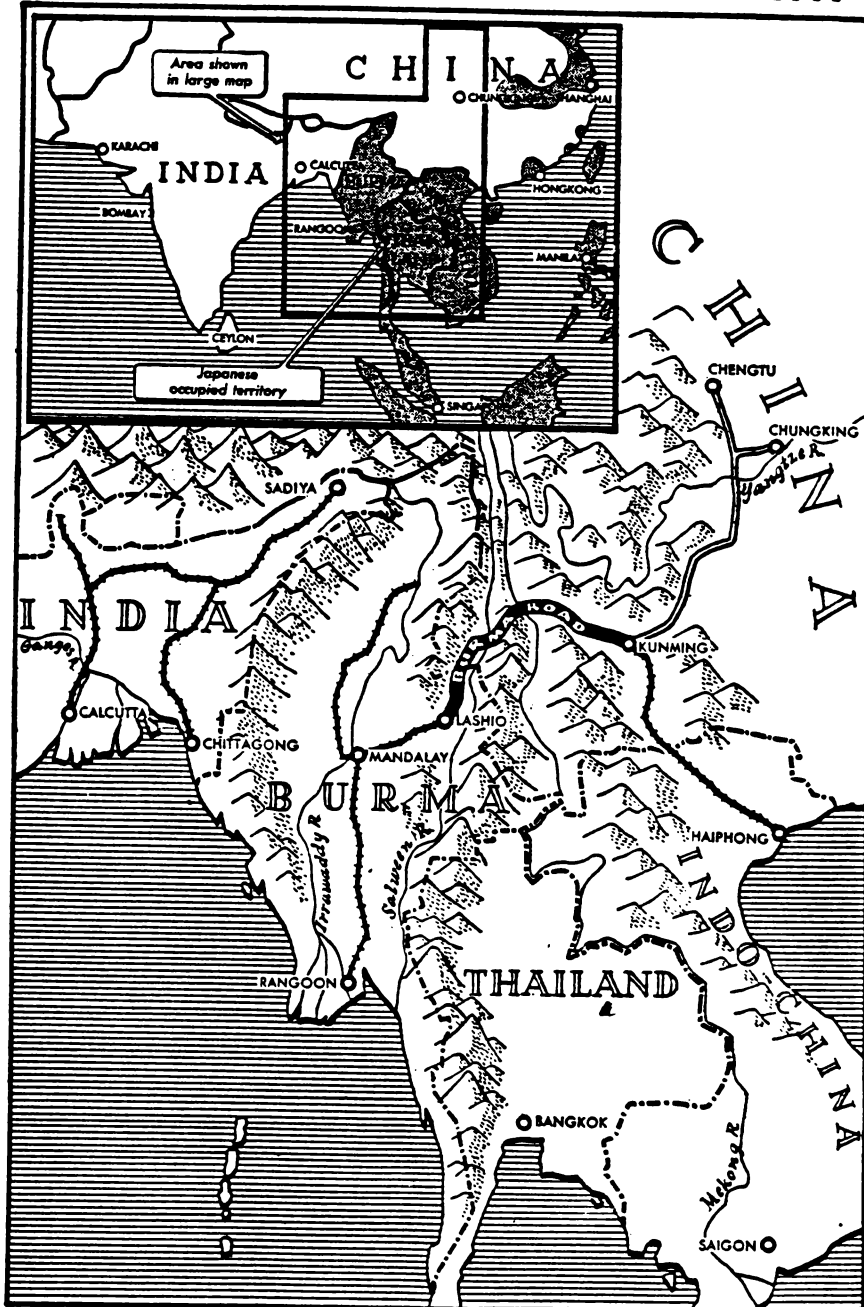


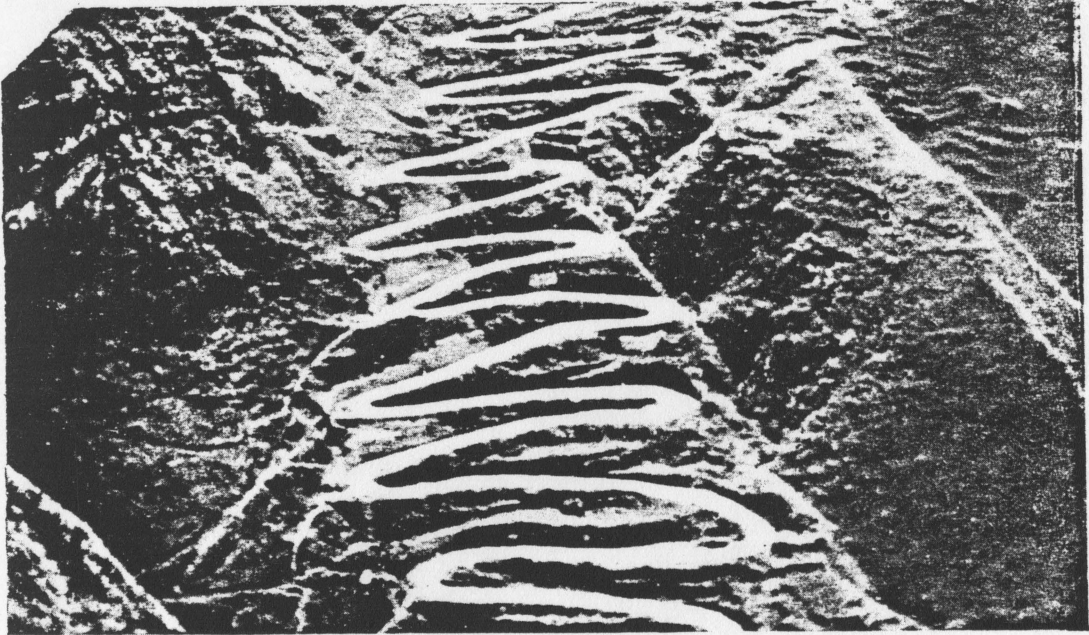
appropriation into actual contracts and deliveries, primary emphasis was given to improving China's long lines of transport and communications with the United States and the world. Paving materials to resurface the Burma Road, earth-moving equipment for grading and repairing the road, insecticides for the malarial marshes along the highway, trucks, spare parts, spare tires, gasoline and lubricants, wreckers, service station equipment, and the services of a number of experienced American loaders, dispatchers, and mechanics were provided during this phase.<sup>48</sup>

Chinese requirements submitted later tended to shift toward transportation equipment, raw materials for arsenals and Ordnance factories, and finished military items. However, military advances by the Japanese and shipping difficulties further changed the character of Lend-Lease aid. Henceforth, it would consist of supplies for more direct military use, finished ordnance and munitions, and aviation transportation equipment.<sup>49</sup> In the cash purchase field, industrial equipment for China's wartime industry had likewise given way to signal corps and communication equipment and some aviation materials.

The first requisitions approved for China under Lend-Lease were based on a program formulated under the direction of Lauchlin Currie in consultation with FDR and other Presidential advisors, especially Harry Hopkins and General J. H. Burns. The program for China was approved by FDR on May 6 1941. The principal items in the first requisition included trucks, gasoline, paving materials, earth moving equipment for road grading and repairing, and lubricants for use on the Burma Road. Railway equipment to improve transportation

# SUPPLY ROUTES TO CHINA





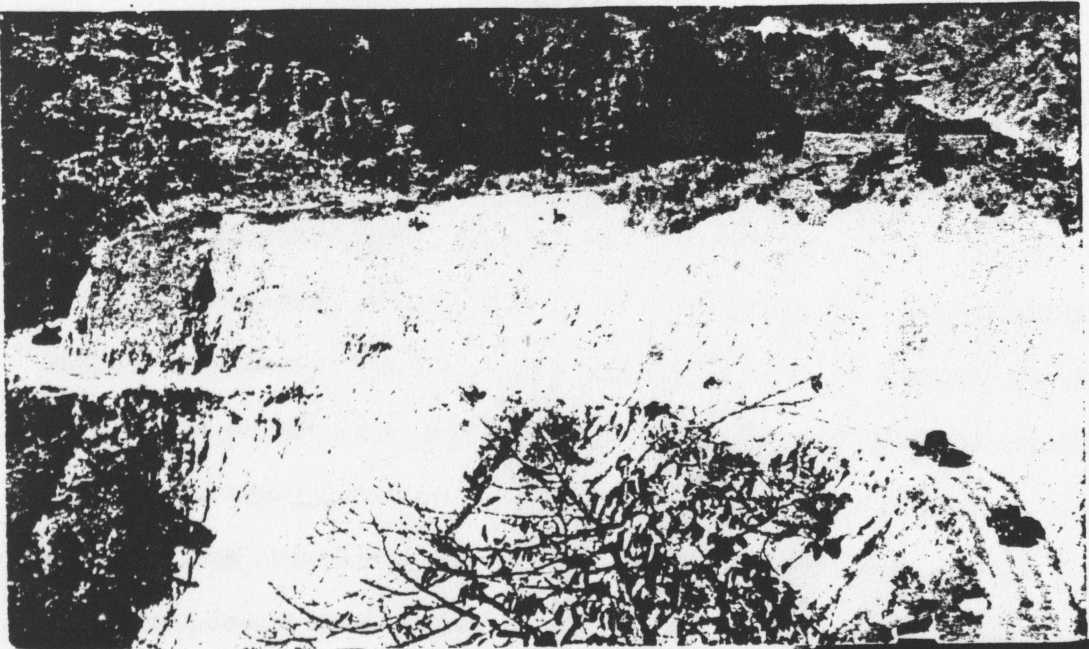
*Wide World*

Why it was difficult to get Lend-Lease supplies into China even before Burma fell: The tortuous curves of the Burma Road.

Source: E. R. Stettinius, Jr. Lend-Lease Weapon for Victory.

A close-up of the Burma Road.

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services, telephone and radio equipment for field communications, and metals for guns were also included. The costs of this program alone were more than \$45,000,000.<sup>50</sup>

The greatest obstacle to substantial Lend-Lease aid for China remained throughout the war was the transportation bottleneck. China was paralyzed by Japanese expansion on both land and sea. "The tremendous expanse of the Pacific Ocean", narrates an official unpublished history of the Lend-Lease on China, "the presence of Japanese submarines in Far Eastern waters, the enemy sea blockade of China and the Japanese occupation of Chinese coastal areas presented grave logistical problems in shipping goods to China."<sup>51</sup> By August 1939 all the important Chinese Ports were in Japanese possession.

On the other hand, the Chinese Railways also suffered a major set back. After the fall of Canton, in November 1939, the Indo-China Railway assumed first importance. But the seizure of Nanking by the Japanese in November, 1939 cut the flow of goods from Indo-China. The fall of France contributed to the worsening situation. After Vichy's Governor-General in French Indo-China acceded to Japanese demands in July 1940 and closed the railroad from Haiphong into Yunnan Province, the Burma Road was the only remaining route by which America could send supplies to China.<sup>52</sup>

The remoteness of Free China and the undeveloped nature of the country made motor transport the largest item of expenditure in the first stage of the American program. Trucks became the principal vehicles to carry goods not only within China, but also to get supplies into China over the Burma road. Since the Chinese Government fought with imported materials, motor transport was

vitally connected with the prime question of keeping Chinese morale high. It was also necessary for carrying foods and raw materials for arsenals. All these things together determined the critical importance of the Burma Road, and, as American Aid to China gathered headway in 1941, the capacity of the Burma Road became the chief focus of Lend-Lease interest.<sup>53</sup>

The Burma Road had been hurriedly built by China during the Sino-Japanese war of 1937-38, and designed for light traffic only. Untill 1940, some 40 million Chinese dollars had been spent. The road stretches 715 miles from Lashio, Burma to Kunming, China. It was surfaced with sand, crushed rock, and stone, but stretches at both ends had been tarred or asphalted. The primary bottleneck of the Burma Road was between Lungling and Paoshan. The route climbed over the mountains to 7,500 feet and then dipped as it crossed the single span suspension bridge over the Salween River.<sup>54</sup> The road badly needed repair and a central administrative authority for its overall maintenance. From autumn, 1938 till the end of 1940, the Chinese government carried out several experiments concerning the administration of the Burma Road, but nothing important was achieved.<sup>55</sup>

Attack upon the manifold problems connected with the Burma Road, however, gained new impetus with the inauguration of the Lend-Lease program. During this time the Chinese accepted the idea of improving traffic conditions on the Burma Road by hiring an American expert, John Earl Baker, whom Chiang Kai-shek requested of Lauchlin Currie during his first visit to China in 1941. Baker was appointed by Generalissimo Chiang Kai-shek to organize the road's operations

and administration under the Chinese Transportation Control Board.<sup>56</sup> Baker established a Chinese inspection office at Wanting under the direct control of the Transport Control Board of the Chinese Military Affairs Commission. He also introduced a system of registration of passing trucks. Baker appointed D. F. Myers, another motor expert and an advisor to Dr.H.H. Kung, the Finance Minister of China, to the important position of inspecting the mechanical and shop facilities along the Burma Road.<sup>57</sup> In a report to Baker at the end of May, 1941, Myers recommended extensive development of the mechanical supervisory staff of the Burma Road. As a result, efforts were made to speed up the loading and unloading of trucks, reduce the size of truck convoys, and surface the highway. Meanwhile, in order to consolidate Baker's works on the road, the Chinese Government through the China Defense Supplies Inc., invited Daniel Arnstein, President of the Terminal Cab Company of New York city to come to China and assist and advise Baker. Arnstein and two other outstanding truck experts, Marco Hellman and Harold Davies, also came to do Chinese transportation development work along the Burma Road.

After a survey of the Burma Road with Baker, the Arnstein mission recommended in August, 1941 that a directing agency be established with full authority over all motor transportation and personnel. They also recommended the elimination of tax stations, expansion of terminal facilities, improvement in loading, servicing, and repairing of vehicles, and bringing expert knowledge to bear upon the situation which had developed. The report put emphasis on strict administration, policing, and application of foreign

technical knowledge for the improvement of the road.<sup>58</sup>

The Arnstein Report definitely contributed to the development of highway and transportation regulations of the Chinese Government. Progress was made in amalgamating Chinese transport agencies. Asphaltting the Chinese section of the road was undertaken. The central government under an arrangement with the Yunnan provincial government abolished all kinds of provincial highway tolls and taxes. But the most immediate results of the Arnstein Report was the publicizing of the transit duty of one percent, levied by the Burmese Government on Lend-Lease cargoes for China. After some negotiation, the British undertook, in lieu of the Burmese tariff on Lend-Lease goods, to pay the government of Burma a subsidy of 10 rupees, the British currency in India, per ton on all Lend-Lease goods consigned to China, which landed in Rangoon. The agreement was effective after September 3, 1941.<sup>59</sup> Improvements in inspection procedures were made quickly and collection of taxes and customs was enforced at once.<sup>60</sup>

Efforts were also undertaken to improve the condition of the Burma Road. Under the Civilian Lend-Lease program, the US government shipped spare parts and repair equipment for broken trucks. In order to achieve effective supervision on the road, a group of 46 American loaders and dispatchers, "terminal managers, shop superintendents, foremen and mechanics were recruited in the United States and dispatched to Burma at Lend-Lease expense."<sup>61</sup>

Meanwhile, the Chinese Government also pushed the hard surfacing of the Burma Road. The base of the road was laid by Chinese laborers stone by stone. The US shipped thousands of tons

of Lend-Lease asphalt, grading and earth moving equipment.<sup>62</sup> The first US shipment of Lend-Lease Asphalt amounted to 7,500 tons. With all these measures, the capacity of the Burma Road was greatly expanded. The peak of shipments over the Burma Road was reached in November 1941 when 18,000 tons were transported per month.<sup>63</sup> Edward Stettinius Jr. expected to reach a goal of 35,000 tons a month by the end of 1942.<sup>64</sup>

With the improvement of the Burma Road, what China needed most desperately were commercial cargo trucks from the United States. Besides carrying Lend-Lease materials from the Port of Rangoon, trucks were also needed to transport scarce foodstuffs and raw materials inside China. China's incapacity to produce her own trucks or to buy them with cash from the outside world a major impediment to the Lend-Lease program. Moreover, for the development of Marcopolo route which ran from Soviet Central Asia through China's Sinkiang Province, the Chinese requested 10,000 heavy duty commercial trucks of a type not available through the Army Supply Program.<sup>65</sup> Later, this Chinese request received the recommendations of the American War Production Mission's Chairman, Donald M. Nelson.

From the beginning of Lend-Lease until late 1942, the US government procured over 32,000 motor vehicles for China under authority granted by the Lend-Lease Act. Of this quantity 29,000 were supplied directly through the Office of Lend-Lease Administration Channels under practice which existed in early 1942. The balance of over 3,000 was supplied for the Chinese Ministries on basis of requisitions placed through US War Department channels by China Defense Supplies. The types of vehicles shipped to China



included cargo trucks, gasoline tank trucks, Signal Corps trucks, armored Scout Cars, Jeeps, reconnaissance cars, general utility trucks, passenger sedans, and radio cars.<sup>66</sup> The Ports of Calcutta and Rangoon were selected as points of debarkation before the trucks were carried or reshipped to China. In the words of Stettinius, "Shiploads of trucks previously for cash reached Rangoon throughout the summer and fall of 1941. In July the first of several thousand Lend-Lease trucks arrived. A small truck assembly plant for use on the docks at Rangoon was shipped in August, as well as spare parts and tools with which the supply depots on the road itself were to be equipped."<sup>67</sup> From the port of Rangoon trucks were carried into China along the Burma Road.

With the fall of Rangoon in March, 1942 approximately 1,000 vehicles of various types were destroyed to prevent capture by the Japanese. Still China got a considerable number of trucks and other vehicles. As reported by the International Division, A.S.F, "Other losses incurred by the Chinese Ministries were caused by diversions to US stocks in the China- Burma India theater." However, "the greater part of the motor vehicles destined for the ministries finally came under control of Chinese Agencies."<sup>68</sup> But a huge number of trucks not destroyed were captured by the Japanese during this time.

Since there was a widespread spare parts crisis throughout the world, OLLA and the Foreign Economic Administration (FEA) were responsible for shipment of a substantial tonnage of spare parts to maintain in operation Lend-Leased and Chinese-owned motor vehicles.<sup>69</sup> Shipments were made of complete repair shops for all

echelons of maintenance as well as tire retreading shops. The war department procured about 15,000 tons of vehicle spareparts for the Ministries in addition to those originally included with motor vehicles.<sup>70</sup> Besides, the United States provided China 14 complete factories and tools for repairing motor vehicles, with the help of which the Chinese Ministry of Communications set up repair work shops in Chunking, Kunming, Kweiyang and in four other places. With two additional workshops established respectively in Chunking and Chengtu in 1941, the total number of such workshops was raised to nine. The US also helped to establish two motor accessories factories which eventually started manufacturing a number of essential and relatively simple to make motor Vehicle parts as well as sundry repairing tools.<sup>71</sup>

The Lend-Lease program made a significant contribution by establishing two tire-retreading plants in China. After the Japanese Occupation of French Indo-China, rubber became a very scarce material. In order to meet the desperate rubber crisis, and the increasing need in China for replacement tires for the Chinese truck fleets engaged in carrying various military and essential civilian supplies in west China, the Lend-Lease Administration adopted a project to set up a number of tire retreading shops in China.

On February 26th, 1942, China Defense Supplies Inc., by submitting a proposal at the Office of the Lend-Lease Administration called for machinery and equipment for one plant to manufacture Camelback rubber and ten tire retreading plants in China having sufficient capacity to handle the tire requirements of 100,000

trucks and 50,000 passenger cars. The value of this order was \$2,600,000.<sup>72</sup> The expense of the entire order was approved and allocated by the Lend-Lease Administration. Later on, however, on the assumption of India's ability to produce enough rubber to meet a part of China's rubber needs, the Lend-Lease Administration approved only a part of the order. To put this plan into action, a contract was signed between the US Government and the General Tire and Rubber Company of Akron, Ohio on 24th July, 1942.<sup>73</sup> In the long run only two plants were set up.

After the receipt of an urgent cable from General Stilwell, on November 20, 1942, for an immediate shipment of two of the retreading plants and two technicians to set up and begin operation of these plants, shipment was made. The material arrived in Calcutta in late August, 1943. Meanwhile William G. Holtz and Jesse R. McFall were chosen by the Lend-Lease officials in Washington to serve as the retreading shop experts. After vigorous efforts, they set up the first shop in Kunming in January, 1944, and the shop at Kweiyang turned out its first retreaded tire on August 15, 1944. But the Kweiyang shop was dismantled in early December 1944 when this city was threatened with Japanese invasion, and the machinery was reassembled in ChungKing later on. McFall and Holz also arranged for an educational program for truck owners in an attempt to get the users to bring their tires in early enough to be retreaded. The overall tire situation improved as a result of these measure.

As of the week ending June 16, 1945 the production output (in tires) for all of China was as follows:

<u>Plant</u>	<u>Truck</u>	<u>Passenger</u>
Kunming	137	16
Chunking	81	.....
Kweiyang	480	.....
<hr/>		
Totals	608	16

Under a Chinese requirements program of 1945 it was contemplated that these retreading shops would be expanded, but as soon as the war came to an end the plan was abandoned.<sup>74</sup>

Significant developments also took place under the Lend-Lease program in the Chinese Railway sector. Since civilian Lend-Lease had been initiated to China until the end of the War Department's procurement of railway supplies amounted to about 3,000 tons of material which consisted of "locomotive parts, railroad signal equipment, air brakes, welding equipment, lubricating and engine oils, asbestos packing sheets, spare parts for rolling stock and repair shop materials."<sup>75</sup>

The Civilian Lend-Lease Program, however, also helped China open a second rail route from Burma into China. The Yunnan-Burma railway stretched from Kunming to Lashio, where it connected with the railroad running from there down to the port of Rangoon. Plans for this railway were inaugurated in 1938 which foreshadowed an expenditure of \$US20 million, and efforts were made to finance the

project with European assistance. Major N. R. Davies, a British engineer, first surveyed the possibilities of such a railroad at the close of the 19th century. When the tonnage capacity of the Burma road was proved inadequate at the end of 1941, the US Government planned to set up a meter-gauge railway with a service of five 200 ton trains a day on this line. It was planned to finish the Burmese portion, a 112 mile stretch, first.

A request for American assistance was made for the construction of 292 miles of track between Siangyun and Burma, and plans were pushed in March 1941.<sup>76</sup> After the British Government consented to bear expenses for construction of the Burmese section of the railway, orders for bridge trusses, locomotives, rails, spare parts for rolling stock, railroad signal equipment, air brakes, repair shops and other equipment were submitted to the US government for procurement. The estimated cost was approximately \$18 million, and in May 1941 a survey was made of available equipment in the US. review of the requirements by military and Lend-Lease officials resulted in the allocation of \$15 million of Lend-Lease funds for the project. Of this total, \$1 million was for medical supplies and equipment.<sup>77</sup>

It was estimated that the Chinese section of the railway could be completed to Siangyun by the end of 1942, providing the Burma section could be completed six months earlier and deliveries could be made in time from the US. Major John E. Ausland of the US Army Corps of Engineers and formerly of the Burlington Railroad assisted and advised the Chinese in the many technical problems which arose. The construction problem on the Chinese section centered upon the

requirement that the Burmese section had to be completed first in order to supply materials for the Chinese part. On the Burmese section the chief engineering problem in construction was the Salween River Bridge. An inadequate labor supply and the menace of malaria were also problems.

In order to bring about a satisfactory completion of the construction of the Yunnan-Burma Railroad a minimum work force of 200,000 had to be recruited by civilian Chinese contractors. But the "high mortality from malaria in the Yunnan-Burma border region was therefore a hindrance both to the recruitment and the preservation of the manpower supply. In one report in September, 1941, it was stated that of 2,000 coolies, 400 were lost by death and 600 by desertion, and of the remaining 1,000, 80% were already sick with malaria."<sup>78</sup> At this point the US had to intervene.

Thus, the Lend-Lease Medical Program for China came in part due to her transportation problem. To combat malaria the US Public Health Service Medical Commission to China was sent at the request of the Chinese Government made through T.V. Soong in June, 1941.<sup>79</sup> Three medical officers of the Service, at the request of the State Department, had already gone to China to fight malaria in 1940. This 1941 mission was a high powered one, backed by the US government and the Rockefeller Foundation. The Mission was financed in the amount of \$1,150,000 from Lend-Lease funds. Salaries and expenses of the American personnel were paid from Lend-Lease funds which were made available to the head of the mission Dr. Victor Haas. The salaries of the Chinese personnel were paid by the Chinese government with US funds.<sup>80</sup>

The Mission included fifteen persons of whom eight were specialists in malaria; three entomologists and five sanitation engineers. By the late autumn of 1941 there had been or was being shipped to Burma equipment for 15 first aid stations, twelve 25-bed hospitals and the greater part of the other supplies needed for the work of the Mission. Donations of drugs had already been made. The American Red cross in June, 1941 rushed to Burma 200,000 atabrine tablets by air from Honolulu and 10 million quinine tablets purchased in Batavia. The Chinese Benevolent Association of Columbine, Sumatra, contributed three and a half million quinine tablets. Meanwhile, a large staff of Chinese doctors, nurses, sanitary engineers, and 500 coolies had been organized by Dr. H. C. Chang, Principal of the Hsing- Ya Medical College and dispatched by the National Health Administration of China to co-operate with the American mission. These Chinese dug drains, built delousing stations, and constructed sanitary areas around the main railroad.<sup>81</sup>

Before the mission arrived it had been extremely difficult to persuade Chinese laborers to come back to the malaria ridden valleys through which the railroad was being built. They did not know what malaria was, but a well founded tradition had been handed down from generation to generation about the evil airs that took the lives of those who dared to enter that forbidden territory. But very soon the activities of American Lend-Lease doctors spread every where. Confidence returned to the workers who had fled to the hills, and they began reporting back to work. In short, the medical mission was successful in abolishing malaria along the railway, and made a valuable contribution to the control of malaria in the Yunnan

province.<sup>82</sup> By the summer of 1941, the improvements in the Burma Road and new railroad construction encouraged the Lend-Lease managers to turn their attention from transportation equipment to military material.

By the end of 1941, the Yunnan-Burma Railroad was being rushed to completion. The US Engineers hoped to operate the 400 miles of the railroad by the end of 1942. Unfortunately it did not happen. Japanese soldiers from Thailand captured Rangoon by March, 1942, and Mandalay and Lashio by May of that year. Consequently, the Yunnan-Burma railroad fell under Japanese control. In this way, "the last land route through Burma was shut tight. Lend-Lease for China, just beginning to get into its stride, came to almost a dead stop."<sup>83</sup> A huge amount of railway materials were stockpiled in India. Lend-Lease next turned its attention to an air transport program to get supplies to China.

Air transportation in China presents a history of long conflict between the Lend-Lease Administration, State Department, and the War Department. The program for non-military aid had first been drafted in March, 1941, and called for a total of 35 Douglas DC-3 transport planes. The most likely agencies to operate such planes were the China National Aviation Corporation (CNAC) and the Central Aviation Transport Company (CATC), the successor of the German Eurasia Company. CNAC stock was owned 55% by the Chinese Ministry of Communication and 45% by Pan-American Airlines. The CATC, however, was owned 100% by the Chinese Government. The CNAC rendered an effective and important service both for China's internal transport and for US military operations and commercial interests.<sup>84</sup>



After May, 1942 when the Burma Road and the Yunan-Burma railroad had been closed by Japan, "the only method of getting Lend-Lease material into China was by air transport from India over the Himalayas", commonly known as the HUMP route.<sup>85</sup> To this end, a new air field was constructed at Dinjan, in the Jungles of Assam. During this time CNAC's Lend-Lease planes were assigned to carry out operations over the HUMP route. In 1942, the demands for transport planes and Lend-Lease claimants were so tremendous that very few such aircraft could be assigned to the US allies. As Arthur Young put it, "Transport planes were one of the scarcest items, being urgently needed in every theater of war."<sup>86</sup> Despite this crisis, under a contract with CNAC in 1942, the US government provided two transport planes per month. Under this contract 25 planes were supplied to China in all. All these planes, however, were assigned to freight operations between Assam, India, and the Kunming area. Besides using these twenty-five planes, the US Army Ferry Command had taken over three of CNAC's passenger transport planes, and there was even "talk of the American Army taking over CNAC". General C. L. Bissel, Chief airport transport advisor to Stilwell, was very much against the separate existence of the CNAC, and influenced by Bissel General Stilwell always opposed giving CNAC more planes.<sup>87</sup> At the beginning of 1943, the CNAC had only three passenger planes to maintain three flights a week between Chungking and Calcutta via Kunming, bi-weekly flights to Lanchow, and weekly flights to Kweilin. But China desperately needed more planes for reasons other than maintaining China's external and internal mail and passenger service.<sup>88</sup>

Because of the limitations on the use of Lend-Lease planes, the Chinese Government in February 1943 made a separate request for allocation of five transport planes, and the US Department of State whole heartedly supported this request.<sup>89</sup> Among other things, the Department of State considered post-war American interests in China. It looked toward China as a potential post-war aviation market for the US. In a memorandum, William R. Langdon of the Far Eastern Division expressed the fear that "disappearance of CNAC as a result of the operation of this tendency and the lack of material and governmental support would create a vacuum in China's internal commercial air communications. It is conceivable that in those circumstances some European interest might eagerly rush in and be accepted by the Chinese, with a consequent loss to our aviation interests of their ground-floor advantage in China."<sup>90</sup> But this far sighted appeal of the State Department had no impact on the Munitions Assignment Board (Air) and the War Department which always acted according to immediate war interests. Since China's contribution to the war, in the US Army's opinion, was very insignificant, "the War Department was reluctant to send planes to China". Operations in Europe always received higher preference in the Lend-Lease Administration and also in the War Department.<sup>91</sup> Moreover, the Munitions Assignment Board declined to recommend five planes without the approval of General Stilwell, as all Lend-Lease materials destined to China were subject to his disposition.<sup>92</sup> It also did not fail to mention that expansion of non-military air transport service within China would constitute a "severe drain for fuel and repair parts on the limited air space available for

transport into China."<sup>93</sup> Although in February 1943, the United States allotted five more Lend-Lease planes for CNAC, their use was restricted to military purposes. China did not get any Lend-Lease transport planes before November, 1944 when Donald M. Nelson, Chairman of the American War Production Board and the architect of the Chinese War Production Board (CWPB) helped to get some more transport planes.

Lend-Lease, however, made significant contributions in raising the carrying capacity of the CNAC and US Ferry Command from the Indian stockpiles. Although they were necessarily far less than the 60,000 tons a month that had been scheduled to go to Burma on the land routes, air shipment substantially increased the tonnage as more Lend-Lease planes were assigned to this route in 1943 and subsequently.<sup>94</sup>

Lend-Lease also came to assist the petroleum procurement program of the Chinese Government. In 1941 the Chinese Government ordered thermal cracking and polymerization plants capable of producing low octane gasoline for trucks from the US. Since gasoline was desperately needed for war effort, the US War Department procured 122 tons of oil producing and refinery equipment designed for air lift especially for the Kansu Oil Field Project. About 70% of this material was shipped overseas, but "on account of the unfavorable turn of the situation in Burma, a portion of the machinery was lost at Bhamo and Wanting."<sup>95</sup> The remaining 30% of the material was held up in US storage due to inadequate allocations for air shipment over the HUMP.<sup>96</sup> Later on, at the end of 1944 the Chinese War Production Board adopted an extensive program to develop

and standardize the oil industry in China.

Until the establishment of the CWPB, Lend-Lease could do little to promote the industrial needs of unoccupied China. It was, however, successful in sending portions of Tire retreading plants and oil reclaiming plants through Treasury procurement program. Also, it took a policy of procuring and supplying to China small quantities of textiles machinery and accessories for papermachinery, copper wire, and sundry machinery from India.<sup>97</sup> Most of the industrial plants and parts for China during this time were either stockpiled in India or in the US.

By 1943, the US Government had supplied \$105,130 worth of industrial goods to the Chinese Government, and also had provided laboratory equipment needed to carryout electorical research.<sup>98</sup> Chinese industries also received assistance from some private US associations and organisations. In the spring of 1942, twenty leading US industrialists requested the US Government to grant a major loan for the development of the Chinese Industrial Co-operation, on the ground of post-war economic and commercial US interests in China.<sup>99</sup> As a result of the efforts of American Industrial Co-operation (Amindusco), Inc., the American Committee in Aid of Chinese Industrial Co-operatives, China got a total of \$118,230,417.25 between June 3, 1943 and March 31, 1945 from Amindusco, New York.<sup>100</sup> Moreover, the Amindusco also took the initiative in removing serious handicaps to the rapid expansion of Chinese industries due to the shortage of technical personnel by sending technical experts in fields such as small iron smelting, cotton spinning, wool textile manufacturing, co-operative marketing,

and business analysis. In June 1942, Amindusco sent Reverend Dr. J. Henry Carpenter who had been associated for a long time with the Co-operative movements in the US, Newfoundland, and Mexico to China to help its 2400 industrial co-operatives.<sup>101</sup> The Organization was brought under centralised control and the considerable autonomy which had been previously enjoyed by regional and local industrial co-operatives headquarters was ended.<sup>102</sup>

After transportation and industry came the "Ministry" programs, which "covered those projects for supply of equipment and services to Chinese agencies and military forces for use outside of the Chinese Army program."<sup>103</sup> Under this program, the War Department sent raw and semi-finished materials, tools, and equipment for arsenals, and essential industries, drugs and medicine, and equipment which had a direct bearing on the Chinese war effort. War Department sources contributed an important share of the Chinese Ministry Program. At the beginning of Lend-Lease, the Ministry program was "originated in China Defense Supplies or in the Chinese government agencies without the recommendations of the US Theater Commander's office in China. Different Chinese Ministries would directly submit their requirement lists to the War Department. Later, in order to make sure that the requirements would not interfere with the US military effort, a procedure for investigation was introduced by the War Department Military Aid Representative and Theater Command Representative before the Ministry projects were considered by the War Department. After the establishment of FEA, its representative at Chungking also participated in reviewing the Ministry requirements. When the Chinese War Production Board was

established, it co-operated with the FEA in screening the Ministry Programs.<sup>104</sup>

Communication materials formed an important part in the Chinese ministry program. In a world of damaged transportation and in an extremely isolated situation, US Army officials in China and the War department realized the need to send communication equipment to China to facilitate the flow of information about the enemy and also about their overall situation. Communication equipment for Chinese Ministries shipped to China under Lend-Lease was destined either for military forces not included in the War Department sponsored Chinese Army program or for civilian use in connection with military operations. The Chinese Ministry requirements included such major items as all purpose radios, short-wave radio transmitters and receivers, switch boards, teletype writers, meteorological equipment, and hundreds of tons of wire. Besides the major items, the US Government shipped a considerable tonnage of spare parts for maintenance as well as parts and raw materials for the manufacture of signal equipment in the two main interior plants as well as numerous family type shops inside China.<sup>105</sup> After 1941, the US procured about 14,000 tons of Lend-Lease communication materials for China. Moreover, in 1945 under the "1945 Non-Stilwell Program" or B-45 list" 933 tons of communications materials were granted to China.<sup>106</sup> Also for training and entertainment of 300 Division Chinese troops not included in the war department sponsored Chinese Army program, the US under the Lend-Lease program sent about 25 tons of highly critical material "which included Cameras, Projection equipment, power units, raw negative film, developing material, and

training films."<sup>107</sup>

Another US contribution to China's war effort was the building up of Chinese arsenals. Since it was not possible to carry a huge amount of arsenal equipment over the HUMP, the US decided to reorganize the Chinese small family type arsenals by supplying of raw materials. Much of the raw material was procured by the FEA. On the other hand, the war department procured mainly finished and semi-finished materials such as barrel forgings, trench mortars, rifle and machine gun barrels, powder, explosives, manufacturing gauges, and ammunition components.<sup>108</sup> After the Japanese occupation of Burma, it became increasingly difficult for the US to supply a large quantity of raw materials to China by air. Except for copper, material was held in US storage for shipment at the earliest possible moment. Moreover, the Japanese had captured Chinese areas in which small personal weapons were made. Without them an Army could not function. Thus the basic or fundamental necessity was to supply at least rifles and ammunition to the field. The US as well as Britain and other allied powers wanted to keep China in the war against Japan. Therefore, they had to deal with the issue of putting a rifle and ammunition in the hands of every Chinese soldier capable of carrying the weapon. At the end of 1942, however, the supply program of the China Defense Supplies Inc. (CDS), contained "rifle powder, copper, zinc, and bullet Cups, all for making small arms ammunition." Arrangements were also made to procure saltpeter, acetone, benzol, and glycerine from India where these were mostly available.<sup>109</sup> In 1943, arsenal raw materials flown in amounted to 3,519 tons and in the first 8 months of 1944 3,960 only.<sup>110</sup>

Even the United States had to pay attention to the Chinese soldier's standard of living. Under the Quarter Master portion of the Ministry program, which was responsible for uniforms, residence, health, and supply of necessary commodities of everyday life of the soldiers, the US delivered to China about 1200 tons of supplies such as blankets, canvas shoes for non-Chinese program forces, multivitamin tablets for dietary supplements, and DDT powder. To protect the Chinese soldiers from the severe cold winter, blankets and shoes were provided, while the tablets and DDT helped prevent malaria and other diseases. The Quarter Master program in China was comparatively smaller than in other theaters because much of the material normally considered as Quarter Master supplies, such as cotton sheeting, foodstuff, and household commodities were available from India or were provided by the FEA after 1943.<sup>111</sup>

The sad situation of China's medical services led the United States to adopt a medical program for the Chinese Armed Forces. Under the Ministry program, the War Department procured about 5,500 tons of medicine, of which about 50 tons were allocated to different Chinese Veterinary hospitals for care and treatment of animals, and 150 tons were allocated for medical care of Chinese arsenal workers. Realizing the extreme crisis of medicine in China, in July, 1943, the office of the Surgeon General of the US Army rendered valuable assistance to China by managing the purchase of medical supplies which were paid for under Lend-Lease appropriations and delivered to China Defense Supplies, Inc., at the seaboard for shipment to China.<sup>112</sup> Realizing the need to control malaria in the Chinese Army, the FEA approved immediate procurement of five million tablets



of quinacrine from November allocations in 1943. Under another program it started procuring 75 million tablets for monthly allocations valued at \$337,500.<sup>113</sup> The medical tonnage constituted the latest technical medical products. Under some other allocations China was given all types of military medicines and drugs, surgical instruments, X-Ray equipment and films, training manuals and the latest developments in sulfa-drugs and Penicillin. Besides the Lend-Lease procurement and supply program, the other organizations which delivered huge medical supplies to China were, the American Redcross, the American Bureau for Medical Aid to China, and China Relief Inc. Also, the Rockefeller Foundation arranged training programs for Chinese nationals inside the USA.<sup>114</sup>

Under the Lend-Lease program, several land-routes were either constructed or developed for war purposes. After the closure of the Burma Road in May, 1942, surveys for additional landroutes began immediately. At first in early 1942, a route running from Sinikang province down through the eastern Himalayas to Sadiya in the northeast of India had been surveyed and approved an an alternate route to the Burma Road. Although Lend-Lease requisitions for urgent equipment were approved and plans to begin construction were rushed, before construction began, the Burma road was cut and the project for an alternate landroute had been abandoned. The only remaining land route to China was the old North west Highway, or Marcopolo Road, across Sinkiang province from the Soviet Union. In 1942 China suggested two alternate routes through the Soviet Union. One was from Iran and Karachi and hence via Central Asia to China's Northwest, and the second one was the air route via Alaska and

Siberia.<sup>115</sup> Concerning the using of motor routes the US was ready to supply necessary trucks and gasoline to support the transportation on this route.<sup>116</sup> The Soviet Union, however, was rather reluctant to let other countries use its land as transit routes for China, most probably for fear of being attacked by Japan. The USSR refused to come to an understanding with Great Britain or the USA on this matter. In mid-1943 the US Lend-Lease authorities sent 500 trucks for use in the Sinkiang Sector, and the British sent a similar numbers of trucks from India. But when the first convoy of trucks reached Meshed, in Iran, in the fall of 1943, the Russians refused to let them pass through Russia.<sup>117</sup> The US desperately needed to use this route for supplying industrial and civilian Lend-Lease items from the Indian stockpiles in order to save the starving people in the border district of Free China.<sup>118</sup> In another effort, the US in December, 1942, sent Gordon Bowles and a mechanic to India as representatives of the Board of Economic Warfare (BEW) and OLLA to explore possible motor routes through Afghanistan and Russian Turkestan for the purpose of opening a new channel of supply to China.<sup>119</sup> The Soviet Union, however, again refused to grant them any kind of visa and the mission was not a fruitful one. Finally, after long bargaining both with the British in India, and the US in the fall of 1944, Russia gave her consent to the entrance of a convoy of vehicles which would reach China via Central Asia. But before this convoy could leave Iran it was diverted because of disturbances in Sinkiang province. It entered China early in 1945 Via the Stilwell Road.<sup>120</sup>

The US also tried to open caravan trails and coolie routes

across the Himalayas through Tibet from India. Although it was much shorter, only pack animals could cross the high mountain passes, and approximately six months would have been required to make the long trip. Moreover, the Dalailama Government of Tibet objected to the passage of military equipment through Tibet. The unfavorable weather, political troubles between China, Tibet, and the British on the question of Tibet's sovereignty led to the cancellation of this project. Still, in the summer of 1944, a very small quantity of Lend-Lease goods was carried by mule Caravans through Tibet.<sup>121</sup>

The United States, however, was successful in developing a new road to China, the Ledo Road. On December 1, 1942 its construction began under the overall control and supervision of General Stilwell, who was the driving force behind its construction. Financed by Lend-Lease, American and Chinese Army engineers struck out through the Naga Hills to build this new road. It needed almost two years to complete and was a 600 mile long land route from Assam, India to Kunming. At first it was called the Ledo road but later on it was named the Stilwell Road by Chiang Kai-shek. It was completed in early 1945, and paralleling the road was a four inch pipe line which, "in addition to supplying fuel for vehicles, could also deliver quantities of aviation gasoline."<sup>122</sup> The first convoy of goods over the road reached China on January 28, 1945. By September 30, 1945, 143,300 tons of goods were delivered to China over the Stilwell Road.<sup>123</sup>

The total value of Lend-Lease goods and services supplied to China through December 31, 1943, amounted to 201 million dollars, of which 175.6 million dollars represented goods and 25.4 million

dollars represented services rendered. In addition, goods valued at 391.7 million dollars were consigned to the American Commanding general in the China-Burma-India Theater for transfer to China."<sup>124</sup> In another study based on FEA's "Cumulative Report of Fiscal Operations Under the Lend-Lease Act," it has been estimated that the total value of total Lend-Lease aid to China from May 6, 1941 to July 31, 1944 was \$ 418,178,684.85.<sup>125</sup>

Besides Lend-Lease, the US through the State Department's Cultural relations program, also provided American experts to aid with such questions as food production, the management of co-operatives, commodity of standardization, and engineering methods. In January 1942, the US Cultural-Relations program was extended to China. It was decided by the US State Department to send outstanding technical and educational specialists to China, to extend aid to Chinese students, and to furnish urgently needed information material in different branches of knowledge.<sup>126</sup> Moreover, under the civilian Lend-Lease program, Chinese engineers and technicians were also provided with training and skills.<sup>127</sup> Although these program existed before Pearl Harbor, after United States entry into the war, the Department of State expanded the program with funds provided by the Board of Economic Warfare, the Lend-Lease Administration, and the Office of War Information.<sup>128</sup>

The US Department of State consolidated the work of Lend-Lease by introducing a program of cultural and technical exchanges with China. To enable China to become self-dependent in food, the US sent many agricultural experts to China. Experts in corn and potato breeding, pharmaceutical chemistry, insecticides, fungicides,

veterinary medicine, and chemical and mechanical engineers were sent to China.<sup>129</sup> Later on, the Chinese requested experts in agriculture, public health, industrial engineering, education, journalists, and telephone engineering. Efforts were also made to create western educated and well principled intellectuals. The Department sent student trainers, periodicals, magazines, books, microfilms, and motion pictures. It also began a radio broadcasting program for the Chinese. Many Chinese intellectuals were also sent to the USA to acquire information about post war "American views in regard to international Affairs, or includes the influencing of such views in a way favorable to co-operation between the US and China is uncertain at this time."<sup>130</sup> US professors were invited to lecture at Chinese institutions, and Chinese technicians were sent to the US to study technological and managerial subjects. Many experts were sent in different fields.<sup>131</sup> Besides, every year Chinese students were being sent to the US supported by different sources of funding.

The Chinese-American student exchange program reached its peak in 1944 when thousands of Chinese students and experts were resident in the US.<sup>132</sup> The program, however, was threatened by the Chinese Government's policy of thought control. Chiang's government went so far as to send a superintendent of Chinese students in the US to ensure their political reliability.<sup>133</sup> Chiang's policies received massive criticism in the US press and shocked the State Department.<sup>134</sup> To State Department planners, it was obvious that Chiang wanted American technology but not American democratic practices because these threatened the Kuomintang's position.<sup>135</sup> Beginning in the fall of 1944, Chiang's government drastically

restricted the study of the Western social sciences and invited only American technological experts to China. In fact, by 1945, the cultural program had been turned into strictly a technological program emphasizing agriculture, hydro-electric power, and industry.<sup>136</sup> Perhaps the most significant result of this change in policy was the development of the Yangtze Gorge hydro-electric plan which eventually came under the Chinese War Production Board.

By the end of 1943 US Officials had developed a number of plans dealing with both China's international standing and domestic issues, but the Chinese had yet to develop any policy of their own on Post war reconstruction. They had a vague idea of the formation of a capitalist China based on European and American technical cooperation but not much else. The only area where there was a definite policy was the return of Chinese territory occupied by the Japanese since the 1895 Sino-Japanese war. China intended to be a major regional power and part of the "World Organisation" [i.e, the UNO], and she demanded an independent Korea. All these Chinese policies were supported by the US Department of State on various occasions.

Because of its long involvement in Chinese affairs, the FEA was acutely aware of the weaknesses of the Chinese Nationalist regime insofar as its ability to wage war and conduct peace were concerned. Also, by reason of its control over Lend-Lease assistance, the FEA was in a position to offer guidance to Chinese industrial development.

For the above reasons the FEA, under the supervision of Alex Taub, the industrial advisor to FEA, developed a post-war industrial

program for China called "Guide to China's Industry." In this program were outlined the desirable size, character, and costs of factories which might be constructed for the production of a wide range of products. This study also included plans for transportation, communication, water conservation, and elective power production. It included plans for the training of Chinese technical and managerial personnel, for the development of industrial medicine and for centralized research in industrial development. The plan further recommended how industry should be distributed among the north, central, south, coastal, and Manchurian regions. Finally the program recommended the development of projects similar to the American TVA for flood control and production of electrical power. Also in 1944, the U.S. hydro-electric expert, John L. Savage, was lent to China and Savage made a valuable contribution to the development of the Yangtze Gorge project and similar other projects.<sup>137</sup>

When the "Guide to China's Industry" was completed in 1944, Lauchlin Currie asked Taub to join Donald M. Nelson's party and present the "Guide" to the Chinese government. While Donald Nelson established the W.P.B. and set the pattern for an improvement in Chinese war production, Taub presented the "Guide" to Dr. Wong Wen-hao, Minister of Economic Affairs for China. This report had a strong influence on the War Production Board's plans and activities in connection with China's industrial development.<sup>138</sup>

US Civilian Lend-Lease aid to China was greatly supplemented by different financial aid programs designed to stabilize the Chinese currency and thereby to check inflation. In April, 1941, the US

signed a new agreement with China to purchase Yuan up to an amount equivalent to \$50 million dollars. At the end of the same month with British participation a Chinese Stabilization Board was established which was composed of five members, three Chinese, one British, and one American.<sup>139</sup>

In fact, US financial aid to China, took many forms. Currency stabilization was by far the most important, followed by the needs for massive credits to finance the war effort and keep Chinese morale intact. Silver was also exported from the US to China.<sup>140</sup> In 1938 the US purchased silver from China and in 1942 and 1943 it exported silver to China more or less for the purpose of controlling inflation in China. In January, 1942, Chiang requested a one billion dollar loan from the US which immediately sparked a policy crisis within the FDR administration.<sup>141</sup> Ambassador Gauss, Henry Morgenthau Jr, and his staff within the treasury department, vehemently objected to a lump-sum loan to Chiang without assurances as to how the money was to be spent. Both Gauss and Morgenthau were aware of the extraordinary corruption of the Chiang regime. Hornbeck, Hull, Stimson, Knox, Lauchlin Currie, and FDR himself favored loans to China for short and longer range purposes.<sup>142</sup> The impasse was not broken until the Cabinet meeting of 30th June, 1942, when FDR overruled the objections of Henry Morgenthau Jr, and approved a five hundred million dollar loan to China. After Congress passed the Loan bill and FDR signed it on February 7, 1942, the US and China entered into negotiations in an attempt to reach an agreement. Here the Chinese were adamant in their insistence that the US should not exercise oversight on how the money was to be



spent.<sup>143</sup> Subsequent Chinese use of the funds revealed the failure on China's part to use the 500 million dollar credit in a productive way. "Money was drain out of the Treasury in large, hapazard amounts" as Schaller shows, and allocated to a bond and Certificate issue within China. Though supposedly a device to reduce inflation, it had the opposite result... Finance Minister H. H. Kung had transferred millions of dollars worth of Gold from Chinese Government accounts into his own name."<sup>144</sup>

Although Morgenthau lost his battle over the issue of a loan to China, he won on the silver issue. The Chinese requested that silver be shipped to China under Lend-Lease for coinage. Morgenthau successfully short-circuited the plan by arguing that war time conditions did not permit the shipment of massive amounts of silver to Asia. He further argued that given the Chinese habit of hoarding silver, it would not circulate and therefore would not improve the Chinese economy.<sup>145</sup>

The Civilian Lend-Lease program for China was highly coordinated and well organized with the dispatching of the American War Production Mission to China headed by Donald M. Nelson, Chairman of the American War Production Board in August 1944. In order to improve the state of Chinese industrial production, Nelson recommended the establishment of a Chinese War Production Board (CWPB), which eventually became the sole guiding agency of China's economic sector. Among other things, the CWPB began to work as a "screening agency" or "clearing house" of all Chinese Civilian Lend-Lease requests. Requests for Lend-Lease items of civilian nature from different Chinese Ministries were to be submitted to the CWPB

office, where the American War Production Mission members who worked as advisors or specialists in CWPB carefully excluded unnecessary items. Also, other US agencies cooperated with the CWPB in this regard. The screened requests were then sent to Washington where the War Department, FEA, and the Chinese Supply Commission Representatives would investigate the requests and exclude the less necessary or unnecessary items or those which could be produced in China. Screening by CWPB saved valuable space in the airplanes which could carry direct war materials in an increasing amount. It was really an important contribution of the CWPB in war time.

On the other hand, War production Board specialists often fought or argued against the US Army's unreasonable demands for more military items to be carried over the HUMP, thus neglecting the civilian economy. For example, when General Wedemeyer demanded the transfer of C-46 Lend-Lease air planes from CNAC to US military purposes, Nelson strongly opposed it and argued that the US must not ignore the civilian economic sector. Under Nelson's strong pressure, Wedemeyer's demands were rejected by Washington.<sup>146</sup> Again, as a result of Nelson's recommendations, China got 15,000 trucks and 30 C-46 air planes. The CWPB worked not only for immediate war needs but also for strengthening the civilian economy and this had a far reaching impact on outlining a post-war economic development in China. Undoubtedly, handling of civilian Lend-Lease affairs offered the CWPB this opportunity. The US Mission Specialists served as a check on the Army's overall supremacy in Lend-Lease requisitioning and helped keep the civilian sector alive.

After the surrender of Japan, the US worried about the

repatriation of Japanese soldiers, the transportation of Chinese KMT soldiers to North China and Manchuria to prevent its falling into Communist hands, and the strengthening of the KMT army for China's reoccupation. Therefore, the US continued to provide straight military Lend-Lease to China 60 days after V-J Day. But the treatment of civilian supplies took a different direction. Although T.V. Soong and other KMT officials asked for an unconditional commitment for \$200 million dollars in gold, 20,000 tons of textiles on Lend-Lease, and 15,000 trucks, later increased to 19,000, the US FEA officials did not pay as much attention to them, as they did to requests for military Lend-Lease.<sup>147</sup> The reason was probably that civilian items were not as necessary as military items.

But the civilian Lend-Lease program continued after V-J Day. In fact, with the defeat of Japan, the communication line with China had opened in every direction, and at the same time, demands for military supplies to be used against Japan were also reduced. All these factors helped bring about more shipments of civilian goods to China. Moreover, following the defeat of Japan, the United States developed a program "to execute its policy consisted of the extension of credit to enable China to purchase civilian type Lend-Lease goods having a peace time value..."<sup>148</sup>

In carrying out the Lend-Lease termination policy, Leo T. Crowley, the FEA Administrator, advised the Chinese Supply Commission on August 18, 1945, that no new contracts would be made by the FEA for goods or services to be furnished under non-military Lend-Lease. The Truman Administration stated that supplies which

were in the process of manufacture, in storage, awaiting shipment, or not yet transferred, and services within agreed programs could be obtained against payment on appropriate terms and conditions. The Chinese were also notified that all existing non-military supplies that had been transferred on Lend-Lease terms and were in shipment or under Chinese control at the time of V-J Day could be retained against payment or appropriate terms. The continuation of cash reimbursement for Lend-Lease shipments for a period of 60 days after V-J Day for agreed programs was also announced in the administrator's letter.<sup>149</sup>

In an exchange of letters in August 1945, FEA Administrator Leo T. Crowley and T.V. Soong agreed to the continuation of the Chinese Lend-Lease program, which was under the jurisdiction of the FEA, on terms of payment over a thirty year's period at 2-3/8 percent interest per year. The Chinese accepted all the goods in the "pipeline."<sup>150</sup> Arrangements were made immediately for the resumption of manufacture and for the shipments of the "pipeline" materials. A formal agreement based on the commitments made between the FEA and T.V. Soong was concluded on June 14, 1946. Under this agreement, the financing and disposal of the undelivered "pipeline" Lend-Lease goods for China, which were in inventory, in procurement, and in process of delivery prior to V-J Day, were covered under this agreement. The agreement took effect at 12:00 A.M., September 2, 1945 and was made "under the authority of the Act of March 11, 1941 and subject to its conditions."<sup>151</sup> The agreement specified that the United States would transfer to China and that China would accept the goods available in the United States in inventory or in

procurement, which were requisitioned and contracted for prior to August 18, 1945 but which had not been transferred prior to September 2, 1945.

China agreed to pay for the cost of inland and ocean freight estimated at \$10,900,000, and the US furnished American shipping to transport the material. It was also stated that nothing in the agreement was to modify or affect the final settlement and determination under the Lend-Lease Act or the mutual aid agreement.

The articles covered in the agreement were in the following categories and represented the approximate dollar value listed:

Communications:	
Transportation.....	\$32,000,000
Signal.....	150,000
Industry and Mining.....	2,675,000
Ordnance:	
Arsenals.....	1,150,000
Industrial Equipment.....	5,500,000
Medical.....	20,000
Miscellaneous.....	5,000
Textiles .....	6,500,000
Total	
<hr/>	
\$48,000,000	

The agreement specified that the payment should be made by July 1, 1976, in thirty annual instalments, beginning July 1, 1947, at an

interest rate of 2-3/8 percent. Later on, the sale of US War Surplus property to China also strengthened the Chinese civilian economy.<sup>152</sup>

Civilian Lend-Lease points up a tremendous paradox in America's China policy. It is the paradox of a conflict between short-term and long-term foreign policy goals. In the short-term, immediate necessities required that China stay in the war against Japan. This was true even after the numerous successes of Admiral Nimitz's Central Pacific offensive. Even with the capture of Tarawa, and the Marshall, Caroline, and Marianas Islands, it was still necessary for the US to keep as many Japanese troops as possible, tied down occupying mainland China. In the final analysis, US long term foreign aid to China was handicapped by this short-term goal.

In the long-term, the US sought to build a viable democratic China. The problem was that these long term goals were sacrificed to the short term goal of defeating Japan. The restructuring of China would require a long-term commitment from the US which would be comparable to the Marshall Plan to Europe.

In Europe, the US had societies and an infrastructure which was already industrialized. Its population not only knew the industrial revolution, they had made it. In China, the situation was almost exactly the reverse. Long-term US foreign policy goals would have required the complete economic restructuring of Chinese politics and society, would have required China to pass through the same industrial revolution that Europe had already gone through 200 years earlier. Moreover, it was easier and more efficient to ship military munitions, and air craft to China than it was to

restructure a corrupt Chinese society in the middle of the war.

Consequently, civilian Lend-Lease and other financial operations in China were not as extensive as in Britain, French North Africa, and in other allied countries. The transportation bottlenecks, the negative attitude of some of the US officials and Generals toward the Nationalist Government's corruption and vices, and China's failure to play an important role in the war against Japan decisively determined the amount of her civilian Lend-Lease aid from the US. On the other hand, the administrative arrangements of the Lend-Lease program in China emphasized military Lend-Lease over civilian. The military Lend-Lease aid to China, since the establishment of the Stilwell Command [late 1942], consisted of supplies consigned to the Commanding General, United States Army Forces (USAF) and China-Burma and India (CB&I) theater, "for transfer to the Republic of China" at his discretion and subject to his continuing supervision. The military advances by the Japanese, the fall of Burma, and the occupation of the Burma Road by Japan further changed the character of Lend-Lease requirements to those of a more direct military nature. Moreover, the fall of Burma involved the placing of all transit stocks of China Lend-Lease goods in India in US Army custody, subject to diversions for US Army or Indian use. All existing procurement operations for China Lend-Lease materials were suspended.

The contraction in the civilian Lend-Lease program had also been accompanied by the development of an increasingly critical attitude on the part of the War Department toward the continuance of any non-military Lend-Lease program for China. This attitude,

constantly encountered by the Lend-Lease administration in its routine liaison contacts with the War Department was clearly reflected on numerous actions taken by high officials of the War Department. On numerous occasions the Lend-Lease program had to face opposition from the War Department on the question of procurement and supplying desperately needed Chinese materials like transportation trucks and planes.<sup>153</sup> Military necessity, however, always dictated that war materials had first priority of transportation. In the final analysis it was more important to keep the Chinese Army fighting Japanese troops and her Air Force supplied with fuel than shipping civilian supplies.<sup>154</sup>

The attitude of the War Department was based on several considerations including the short supply in the US and the limited transport facilities into China. But even when supply was available, the attitude of the War Department was that equipment should be supplied directly to General Stilwell and not to the Chinese authorities. In short, the War Department's attitude was entirely guided by the immediate military considerations, not by the far-reaching vision of the State Department and the President. On the other hand, the Lend-Lease Administration desired that some military supplies be furnished directly to the Chinese in fulfillment of a national political commitment, even though it might be disadvantageous militarily.<sup>155</sup> In short, China's failure to participate actively in the war against Japan and the awareness of US officials in China and General Stilwell of Chinese inefficiency and corruption in handling supplies were basic reasons for the War Department's opposition to the delivery of Lend-Lease supplies



directly to China.<sup>156</sup>

Despite the War Department's vigorous opposition, Lend-Lease representatives continued procurement operations for China, and this resulted in the stockpiling of civilian lendlease goods in Indian storage together with military supplies.<sup>157</sup> "So little can be delivered", Stettinius stated as a reason for stockpiling, "that her [China's] war economy is operating on slim reserves, when she needs something, she needs it in a hurry. The war in China cannot wait while we send halfway around the world for it. That is one reason why supplies have been stock piled in India ready to go....The roads to China will not always be closed. One of our first military objectives in Asia is to reopen them."<sup>158</sup> Such plans encompassed the provision of additional transport equipment, munitions and chemical plants, power plants, oil refinery equipment, container manufacturing facilities, machines tools, and other items which had to be deferred.

In those undertakings the Lend-Lease Administration continuously encountered objections from the War Department on civilian Lend-Lease which had been resolved only through direct appeal to the President either by the Chinese themselves or by OLLA. The frequent need for direct appeal to the President discredited the relations between US and Chinese supply agencies, as well as between the State and War Department. At last in September, 1943 the Lend-Lease Administration proposed a high level committee under the President to review the situation, with Harry Hopkins as Chairman if possible.<sup>159</sup> Although FDR responded enthusiastically, nothing happened. As we have seen, the endeavors of the Lend-Lease

Administration were based on political considerations and political pledges. These considerations were, however, ill-defined and urgently in need of authoritative review. Even the political considerations of the State Department could not provide the Lend-Lease Administration with a workable charter, for the State Department did not review any War Department decisions or actions based on purported military considerations. As a result, the War Department did not accept political considerations as the guiding principle in its military program in the China theater, and most of the time did not like to respond to the decisions of the State Department.<sup>160</sup>

Toward the end of 1943 there was, thus, a great need for an agency to review the status of the Lend-Lease program for China. The formation of such a committee which "might be directed to prepare recommendations" as Arthur B. Van Bushkirk, Deputy Lend-Lease Administrator in Washington suggested, "concerning the extent and nature of the non-military aid, if any, which should and can be undertaken during 1944 to the National Government of the Republic of China, apart from the Army Supply Program schedule of material for consignment to General Stilwell."<sup>161</sup> The British meanwhile, decided to jump into the matter by proposing a joint three power Committee to determine Chinese "non-military assistance". As proposed by the Foreign Office this involved the formation of a "Screening Committee" to determine Chinese requirements.<sup>162</sup> Sitting in ChunKing, Stilwell was suspicious of British intentions. He questioned both British motivation and the political purposes of any such Committee.<sup>163</sup> In Washington, Dean Acheson was equally

skeptical about the British move. He felt that such an arrangement would be a technical violation of Chinese sovereignty. In November 1943, the State Department sent to the British Embassy a diplomatically worded aide memoire politely declining the proposal.<sup>164</sup> Clearly, civilian Lend-Lease was to be determined on bilateral lines between Washington and Chungking with no interference from an outside power.

With the passing of time, many high ranking US officials pressed for steps to cure the problems of China permanently. As John D. Sumner, the US economic expert on post-war China stated, "Despite its brevity, ... American Economic assistance to China during the war period illustrates the ad-hoc character of our policy. The monetary and credit position of the Chinese Government was in jeopardy; the United States granted substantial loans. China's war production was on the verge of collapse. Gradually it was generally acknowledged that the US "should formulate an economic policy which will, over a period of years, afford a useful vehicle to aid in achieving the American objective of a strong, united and increasingly democratic China. The United States, however, was also at this time in a unique position if it had the intention to do so, it could have significantly influenced the course of China's development." The policy of the FDR administration was not only to assist China, but also to convert her to a post-war industrial and democratic ally. Therefore, seeking to balance his report and the prevailing governmental attitude, Sumner recommended a long term, well planned, and internationally-financed industrialisation program for China.<sup>165</sup> Other US officials were also thinking along the same line. For

example, the need for a far-reaching long-term civilian supply program was supported by John Carter Vincent, head of the China Affairs Division of the Far Eastern Office of the State Department. Carter recommended a welfare economy rather than a defense economy for China.<sup>166</sup> Moreover, the failure of the 500 million dollar loan to improve China's inflationary situation and the War Department's continued strict policy on civilian supplies to China led the FDR administration to think about something other than providing supplies from the US. The administration realized that what was desperately needed was to increase the internal production of China, which would in turn solve all other incidental problems. It was also believed that wartime production would also lead to a post war reconstruction program, which meant China's ultimate self-dependency.

Although civilian Lend-Lease encountered enormous problems and suffered a set back in the amount of total supplies, it definitely contributed to the strengthening of the Chinese war effort by carrying out different creative programs within China. With the help of limited "HUMP" supplies, it enabled different war time industries to operate which again helped keep the civilian Chinese morale intact. Various civilian supplies, when they reached China, confirmed the Chinese faith that the US was on their side against Japan. Besides this immediate war time objective, civilian Lend-Lease, through its war time production program, developed the structure of a post-war economic or industrial development program which had far-reaching consequences in the post-war period.

The far-reaching goal of China's industrialization, however,

was picked up by the United States through the dispatching of a War Production Board to China in 1944.

### Chapter Three

America's Effort to Exploit China's Vast Manpower: Military Lend  
Lease to China, 1941-1945.

Lend-Lease was primarily designated to strengthen the war efforts of the allied nations against the Axis.<sup>1</sup> In the Far East, China appeared to be the nation that deserved most military Lend-Lease aid. Part of the aid to China was military, another part was civilian. As we have seen, under civilian Lend-Lease, China received arsenal materials, construction materials and equipment, communication materials and other things. Military Lend-Lease, on the other hand, sent to China materials directly related to the immediate prosecution of the war like, aircraft, weapons, ammunition, officer training units, food supplies for the army, etc.<sup>2</sup>

In the face of the Japanese advance, the United States was forced to adopt a long term strategy toward the Pacific region and China. Developments in Europe, Japan's rapid conquest of Southeast Asia, the perilous situation in the Southwest and Central Pacific made Chinese territory vitally important for the bombing of and eventual direct attack upon Formosa, Manchuria, Korea and Japan.<sup>3</sup> Considering all these factors, the United States advocated "the immediate objective of effective joint prosecution of the war through direct military assistance to China, promotion of Sino-American military co-operation, and assistance in mobilizing all of China's human and material resources against Japan." Parallel with the United States' war efforts to strengthen "the political and economic bases of China's war effort", the US also sought "to

reorganize, train, and equip part of the Chinese National Army as a compact striking force capable of playing a major part in driving the Japanese from China".<sup>4</sup> Thus, the US provided China with needed equipment and technical advisors to recruit, equip, train, and organize the Chinese army so that it could defeat Japan. The principal means of exploiting China's massive manpower was Lend-Lease. It should be noted that during this period, the Lend-Lease effort was also directed "toward the strengthening of the economic bases of China's war effort through: expansion of supply routes and services into China; Lend-Lease supplies to the limit of transport facilities; and Joint Sino-American measures to strengthen China's war production, increase its supply of consumer goods, improve its internal transport system, and combat its serious inflation".<sup>5</sup> That required practically bringing a social and economic revolution to China, which did not happen despite the strenuous efforts on the part of the US to do so.

Despite the fact that the United States took China seriously as a potential ally against Japan, China had practically nothing to contribute to the war effort in terms of an organized military power. The Chinese army was composed of a coalition army of three hundred divisions. Under the direct command of Chiang Kai-shek there were thirty to forty divisions, and the rest were divided up into private armies under the command of different commanders in various war areas. Therefore, the Chinese armies were not organized in the modern military sense.<sup>6</sup> It also lacked all the qualities of an armed force in the Western sense. In an OSS report prepared between November 16-30, 1944, the main reasons behind the



inefficiency of the Chinese armies were especially attributed to the brutal methods of recruiting and training, the exploitation of a common soldier by his officer, the lack of adequate equipment in the hands of fighting forces, and, above all, to the bad food conditions.<sup>7</sup> As there was no Chinese Navy, China's feeble economic situation also prevented it from building a strong air force.<sup>8</sup> Consequently, during the pre-Lend-Lease period, China continued to ask from the United States several million dollars in economic credits, airplanes, American military advisors, and strategic arms.<sup>9</sup> The US, however, refused to grant China a direct military role which, it believed would provoke Japan. The only pre-Lend-Lease military assistance to China from the US was the "unofficial encouragement to develop an airforce under Claire E. Chennault".<sup>10</sup> At the beginning of May 1939, when Japan started heavy bombing of several Chinese cities, especially Chungking, China could do very little to resist. When subsequent developments in the Far East made air aid to China increasingly important, Chiang Kai-shek in October, 1940, asked the US for help in the form of planes and American volunteers to fight both against the Japanese and the Communists.<sup>11</sup> China did not get planes but did obtain a credit of US \$100 million to purchase non-military items. Before the end of 1940, however, there took place the organisation of the American Volunteer Group (AVG), which eventually came to be known as Chennault's Flying Tigers.<sup>12</sup>

Even long before the US had become a belligerent, China was constantly requesting airplanes from the U.S. to build an air force. Due to these repeated request and several pro-Chinese groups'

advocacy in the US Administration, it was decided to help the Chinese unofficially in developing an air force. Actual arrangements for the provisions of American air power to the Chinese National Government began with the arrival in the US, in November, 1940, of a Chinese Air Mission headed by P. T. Mow and Colonel Claire L. Chennault. The purpose of their mission was to build a strong, well-equipped Chinese Air Force and, in the meantime, to obtain some fighter planes and enlist volunteer American pilots to fly them. Generalissimo Chiang Kai-shek gave them wider authority to negotiate with American Officials, during which these "officials requested the best quality of American planes and equipment against Japan." On November 25th, 1940, the Chinese handed over the long list of requirements to US officials.<sup>13</sup>

Although the US realized the gravity of the situation and the "crying need" for a strong air force in China in the face of the "greatly improved Japanese plane, the famous Zero", it was not possible to meet China's huge needs when America could hardly meet the intense demands of Britain and its own domestic needs.<sup>14</sup> Still, on December, 4, 1940, the US State Department assured T. V. Soong that the US would provide China with 150 planes "within the comparatively near future".<sup>15</sup> Two weeks later, when FDR was fascinated with a plan for bombing Japanese cities and airbases from China, Morgenthau and Hull, together with members of the China Defense Supplies Committee lobbied hard to divert bombers originally allotted to Britain. General George C. Marshall strongly opposed the proposal on the ground that Britain needed them more urgently and his view was finally accepted. In the end, after a long negotiation,

China received 100 P-40 B fighters which Britain released against a US promise of 200 newer model planes in May-July 1941. Since Lend-Lease was not available at that time, China paid cash for those planes. The Flying Tigers were to be organized on the basis of these P-40s coming to China.<sup>16</sup>

The chief outcome of the US pre-Pearl Harbor policy toward China was creation of the American Volunteer Group (AVG) under Claire Chennault.<sup>17</sup> By late 1940, Chennault had concluded that the American pilots and ground crews could play a key role in a successful aviation program for China. Although the US Constitution prohibited nationals from serving in the armed forces of a belligerent, the war's imperatives compelled the US State Department to be more liberal. In January, 1940, the Department declared that "acceptance of service in China as aviation instructors by Americans, not connected with the armed services was a private matter between them and China, so long as they did not join the combat forces".<sup>18</sup> When in late November 1940, Japan recognized the puppet regime of Wang Ching-Wei, the State Department, Michael Schaller argues, at last "altered its position and had come to support more direct American aid" for China. The State Department informed the Chinese Embassy that, besides developing a plan for military aid to China, "the US Government would no longer discourage American volunteer pilots from going to China as mercenaries".<sup>19</sup> Among the most prominent advocates for China's cause were Lauchlin Currie, Henry Morgenthau, Secretary of the Navy Frank Knox, and Henry L. Stimson, Secretary of War.<sup>20</sup> Chennault and William D. Pauley, later Ambassador to Peru and Brazil in the Truman

Administration, developed a scheme "to recruit American Military personnel who would resign their commissions and sign contracts with a private corporation, the Central Aircraft Manufacturing Corporation (CAMCO), which was, of course, a front". While FDR's Executive Order permitted the Army personnel to resign from the US armed forces, CAMCO maintained the pretense of neutrality on the part of the United States.<sup>21</sup> The recruitment of the American Volunteer Group began in April, 1941. With the co-operation of the US Army and Navy, Colonel Chennault gradually "secured the services of more than 100 veteran fliers, over half of them from the Naval Reserve, a few of them from Marine Corps, and the rest from the Army. The technical and ground crew personnel numbered more than 150".<sup>22</sup> On August 1, 1941, Generalissimo Chiang Kai-shek issued an order which made the AVG a unit of China's Armed Forces. Within a few months, these men and their P-40 fighter planes would become famous as the "Flying Tigers". Although the AVG was disbanded on July 4, 1942, General Chennault remained in China to lead the 14th Air Force.<sup>23</sup> In this way during 1940-41 "influential American officials worked closely with quasi-private individuals and special interest groups associated with the Chinese Nationals" and developed plans for "ostensibly private American planes and pilots to assist the Chinese in a joint effort against Japan". The State and War Departments were not officially involved in the development of this clandestine air strategy, and Schaller believes the "Americans considered this a method of bolstering Chinese morale and warning Japan directly of the risk it ran in provoking the United States".<sup>24</sup>

This indirect tactic of supplying provisions to China came to

an end when China was formally declared eligible as a Lend-Lease recipient country in May, 1941. To enhance the Allied war effort "President Roosevelt hoped", William P. Head contends, "that China's vast manpower supplied with American arms and material could be used to hold the Japanese at bay allowing the Western Allies to defeat Germany first."<sup>25</sup> This prospect of a reorganized and well-equipped Chinese army fighting by the side of the United States inspired FDR administration officials to provide open and increasing military Lend-Lease assistance to China. Even Secretary of War Henry L. Stimson believed that "the great tradition of American friendship with China constituted the foundation on which a joint military effort could be built, and a great military triumph over a common enemy would in turn further strengthen the traditional friendship leading to closer co-operation after victory".<sup>26</sup> On the other hand, these expectations of FDR and other US officials were exploited by Chiang Kai-shek and KMT officials who raised the hope that if Chinese KMT armies were supplied with massive amounts of equipment, they would be able easily to defeat Japan. For example, Dr. Wellington Koo, Chinese Ambassador to Washington, stated to Admiral Leahy that if the US could provide sufficient ammunition and supplies to China, the Japanese could be destroyed.<sup>27</sup> This line of reasoning was apparently shared by Marshall and many other Washington officials for a time.<sup>28</sup> In this way "military exigencies furnished the immediate impetus for the United States to take the initiative in a decisive way and that Great Britain and US would need Chinese man power sooner or latter."<sup>29</sup> Acting on this belief, Roosevelt Administration officials greatly improved the quality and

quantity of military assistance to China, when FDR "bolstered the Naval, Air and ground forces in Hawaii and Philippines".<sup>30</sup> On March 31, 1941, T. V. Soong presented a list of three categories of Lend-Lease requests which included, 1) sufficient arms and ammunitions to equip thirty Chinese Divisions, rail road and highway construction equipment, and "one thousand airplanes and pilots under the command of Claire Chennault" to bomb Japan proper. These requests were highly recommended by Lauchlin Currie and approved by Roosevelt.<sup>31</sup> As evidence of realization of the awareness of Chinese military needs, the US War department Officials granted a "weapons shipment valued at \$45 million which Roosevelt approved on April 23. A second shipment valued at \$100 million followed shortly".<sup>32</sup>

But the US approval of China's Lend-Lease requests involved it in problems related to the delivery and proper utilization of Lend-Lease items in China. Consequently, a series of controlling agencies were dispatched to China to insure proper utilization of Lend-Lease supplies for war ends.

The first US controlling agency was the Magruder mission. With the shipment of 10% of the first installment of the total Lend-Lease allocations for ordinance, motor transport, and military supplies in the autumn of 1941, the United states faced a different kind of problem concerning the use of these materials by the Chinese. American Officials felt that the preliminary plans and steps for Lend-Lease aid to China were not adequate and that the Chinese agents in Washington did not have sufficient military personnel at hand to give technical advice. The accredited representative of the Chinese Government for Lend-Lease procurement and administration was

the China Defense Supplies Inc. It was feared by the regular army planners in Washington D.C. that the Chinese might request more equipment than the Chinese army could use effectively or transport into China, and unless some such American mission was sent, a great waste of American material and equipment might result. Under these circumstances, "General G. Marshall, convinced Roosevelt to approve creation of an American military mission to China (AMMISCA) early in July" 1941.<sup>33</sup>

The proposed military mission to China was headed by General John Magruder who was previously an attaché in China. He was instructed by the War department to "assist the Chinese Government to obtain appropriate military defense aid as contemplated in the Lend-Lease Act and in insuring that the most effective use is made thereof". While Magruder was authorized to exercise certain powers abroad, he was further directed to:

- a. "Advise and assist the Chinese Government in all phases of procurement, transport, and maintenance of materials, equipment, and munitions requisite to the prosecution of its military efforts."
- b. Advise and assist the Chinese Government in the training of Chinese personnel in the use and maintenance of materials, equipment, and munitions supplied as defense aid by the United States."
- c. "When requested, assist the personnel of the other Departments of this Government in carrying out their respective duties in furtherance of the objectives of the Lend-Lease Act pertaining to China."<sup>34</sup>

The "mission was completely technical in character" which included specialists in different fields.<sup>35</sup> By mid November 1941, twenty officials including Magruder had reached China. After reaching China, Magruder went to Burma to examine the War situation while other members of his staff made extensive trips South and West China. Thus, by the outbreak of hostilities with Japan a cadre of American military specialists was well established in China at the expense of Lend-Lease.

Upon reaching China, Magruder and his mission specialists tried to coordinate the Lend-Lease requests and supply activities. He "pressed the Chinese to improve the quality of their military training and logistic system." Moreover, Magruder interfered in discouraging the Chinese "requests for high technology offensive weapons that might inadvertantly provoke a Japanese attack on possessions in the Pacific."<sup>36</sup> Magruder soon realized China's bankruptcy in terms of a military contribution in the war. When Japan occupied the "scattered outposts of the Pacific", he voiced his disapproval of too much emphasis by Americans on China as an equal partner and he predicted that the Nationalists would conclude a defacto truce with Japan, leaving Americans to carry on the War". He was equally critical of Chiang Kai-shek's intention of hoarding the War time American Lend-Lease aid to fight the Communists in the post-War period .<sup>37</sup>

But the dispatching of the Magruder Mission to China could not entirely solve the problems of the mishandling and misuse of the extended amount of Lend-Lease supplies to China, which were sent there with the expansion of the war. Consequently, with the



expansion of Japanese attacks in different parts of South-East Asia, the US, for the sake of a more proper utilization of its supplies in the war, introduced various controlling measures on the use of its supplies in China. After the attack on Pearl Harbor, Japan quickly moved her armed forces Westward towards Burma and India, as well as, Eastward into the vast Pacific and Southward towards Australia, New Zealand and surrounding islands. All British, American and Chinese efforts to check the Japanese advance failed. By May 1942, Japan captured Burma, occupied the port of Rangoon and cut the Burma road, the principal route for supplying Lend-Lease goods to China.<sup>38</sup>

While this rapid advance of the Japanese armies worried Washington about the security of the Phillipines and the Pacific area, the Chinese KMT Government started a quick race to acquire more and more military assistance from America and other belligerent powers. In a meeting with the Ambassadors of the USSR, UK, and USA on December 8, 1941, Chiang Kai-shek asked them to urge their Governments to support the Chinese against the Japanese. None of the powers showed any willingness to commit themselves before late December 1941.<sup>39</sup>

FDR viewed this indifference of the European powers toward China's call for aid with anxiety and indignation, and at last on December 16, 1941, FDR asked the Generalissimo to convene a joint military conference at Chungking no later than December 17, 1941, and expressed hope that an organization could be established to accept responsibility for planning and commanding the united campaign of the Allied powers.<sup>40</sup> Accordingly, a joint military conference was held in December 1941 at which Chinese, British and US military personnel represented their countries. On the 16th,

17th, and 19th, Generalissimo separately exchanged views with British, Russian, US and Dutch representatives with regard to organizing the membership of the joint War Council.<sup>41</sup> On December 20, the Chief of the Chinese Board of Military Operations, Hsu Yung-Chang, drafted an overall plan for joint operations to be undertaken by China, the United States, Great Britain, the USSR, and the Netherlands. According to this plan, "Chinese resistance was to be maintained by continuing the issue of supplies to prepare Chinese armies for future offensives." To implement this plan, several military Lend-Lease programs formulated by the Chinese were submitted through Chinese Lend-Lease agencies in the United States to the War Department. These programs included the Chinese Transfer Schedule for the months January, February, and March, 1942, the Chinese Emergency air Transport program from November 1942 through January 1943, and finally the 1943 program.<sup>42</sup>

The Chinese proposals for unlimited military assistance were successfully encountered by the Magruder mission, which at that time was acting as an screening agency for Chinese Lend-Lease requests in Chungking. Before the formulation of any organized Chinese Lend-Lease program, the Magruder mission had sent its views to its Home office with the recommended list of critical requirements to be on Lend-Lease to Chinese Government. These requirements were as follows:

- a) Raw Materials for manufacture of small arms and other ammunition in China.
- b) Small arms ammunition;
- c) Rifles and light machine guns;

- d) Pack artillery;
- e) Anti-tanks guns, and;
- f) Medium Howitzers.

The first three items were deemed essential for stabilization of the Chinese front. The latter three items were considered necessary for later offensive operations.<sup>43</sup> Meanwhile, the creation of Combined Chief of Staff (CCS) and Munitions Assignment Board (MAB) by Roosevelt and Churchill at the Arcadia Conference in Washington on December 2, 1941, coordinated China's war efforts through US Lend-Lease assistance on a more stable basis.<sup>44</sup> Although Chiang Kai-shek and T. V. Soong wanted China to join both the CCS and MAB, the Board politely rejected both requests on June 13, 1942 in the face of strong British opposition and upon some other consideration. However, the establishment of the China Burma India Theater (CBI) under the supreme command of Chiang Kai-shek, provided the only consolation for China.<sup>45</sup>

In order to have a more co-ordinated and efficient operation of the military Lend-Lease program, the War Department sent General Joseph Stilwell to China.<sup>46</sup> Arthur Young noted that, General Joseph Stilwell was sent to China by the War Department as the US military representative "to increase the effectiveness of the United States assistance to the Chinese Government for the prosecution of the War and to assist in improving the combat efficiency of the Chinese army." As the Chief of Staff to Chiang Kai-shek as well as the Commander General of the American forces in the CBI Theater, Stilwell was given full control of the military Lend-Lease items. But the non-military items like arsenal supplies and transport

equipment were under Chinese supervision.<sup>47</sup>

Owing to the lack of an efficient transportation system in China, the United States had to develop carefully different methods of military Lend-Lease shipment to China. In April, 1942, when the Burma road was lost to the Japanese, there developed a controlled program in China, which resulted in the development of the Chinese Emergency Air Transport Program by the US Army in co-operation with the Chinese. As an arbitrary figure, the Munitions Assignment Board established 3,500 long tons per month as an amount to be moved into China, which largely consisted of "ordnance material but also included certain arsenal material, signal, medical, and motor transport supplies.<sup>48</sup> A part of the Lend-Lease items shipped under Chinese Emergency Air Transport Program were used in equipping the remnants of the Chinese Army which had retreated into Ramgarh, Bihar, India and eventually came to be known as Stilwell's X-Ray forces. At the expiration of the first Chinese Emergency Air Transport program in October, 1942, an assignment program of approximately 5,000 tons per month was developed for the period November, 1942 to January, 1943, and this came to be known as the Second Emergency Air Transport Program.<sup>49</sup>

It was imperative that the US provide training programs for the Chinese Armed forces, and it was an invaluable program that was included in Lend-Lease assistance. Particularly, in the early part of the war, the Allies lacked sufficient manpower to challenge the Japanese in Asia. Also, at the first Arcadia conference the Allies had adopted a Europe-first strategy which meant that the bulk of Allied material and personnel would be used to contain German

expansion. By default then, it became necessary for the US to train Chinese Armed forces to hold Japan in check, while the Allies faced the most deadly threat from Nazi Germany. Therefore, in addition to supplying military equipment, construction material and other components, the United States provided China with military assistance under Lend-Lease, from the Army, Navy, and Airforce. Such training took place both in China and the United States. Setting aside the Chinese KMT Government's desire for such training, the US deemed it a necessity for their own strategic interests in the region. It was not feasible for the US to send its own Army personnel to China in massive numbers due to the fact that American personnel were already involved in other Theaters such as Europe and Africa. Such military training was also necessary because the US needed to arm and train the vast Chinese population. A population as vast as China's could be well utilized against Japan's aggression once they were properly trained. Although the Chinese had been requesting training from their military personnel a long time before the US became belligerent, it started officially with the dispatching of the Henry B. Claggett mission to China in May, 1941 to study China's air power, which had been funded by the Lend-Lease.<sup>50</sup> The mission was headed by Brigadier General Henry B. Claggett, Commander of the US Air Force in the Philippines. The mission arrived in Chungking on May 17, 1941 and remained in China until June 6, 1941. During these three weeks, a detailed inspection was made of Chinese Air Force installations and activities in the chief center of Chinese military aviation. In general, every facility was afforded the mission for informing

itself as fully as possible about the Chinese Air Force. One of the "first results of the survey was a recommendation that the Chinese pilots and mechanics be trained in the United States."<sup>51</sup> President Roosevelt approved the recommendation and in a message to Congress on September 15, 1941, he said, "on our air fields, thousands of British pilots are being trained, and already we are preparing a similar program to help the Chinese."<sup>52</sup> This recommendation of the Clagett mission was later merged with the beginning of a comprehensive training program for Chinese pilots and other personnel. Lauchlin Currie also recommended on May 28, 1941, that "the United States begin to train Chinese pilots."<sup>53</sup> Although Marshall's opposition killed Currie's proposal, it served as a basis for a later Chinese pilot training program. In September, 1941, the Chinese submitted two requests for the training of Chinese pilots and aviation mechanics in Civilian Contract Flying Schools.<sup>54</sup> On September 15, 1941, in a message to the Congress, FDR requested the approval of the Chinese pilot training program.<sup>55</sup>

FDR's statements to Congress about the Chinese training program raised several legal questions. The first was whether the terms of the Lend-Lease Act were broad enough to include the training of foreign armies. Especially, the question arose whether the President could direct the training of British pilots in Air Corps Schools or the training of Chinese students in Civilian Schools. Moreover, if such authority did exist, what Lend-Lease appropriation might be used to obtain funds? The Congress requested the Attorney General to provide a legal opinion on the authority of the President to use Lend-Lease funds for the training of Chinese pilots in

Civilian schools.<sup>56</sup>

In a memorandum to Stettinius on March 11, 1941, concerning the legality of the Chinese Requisitions C-302 & C-303, Oscar Cox argued that the "services called for by the subject requisition are for the training of the Chinese pilots at Civilian and Air Corps Schools in the use of planes, guns and radios which are being Lend-Lease to Chinese. Section 3(a)(4) of the Lend-Lease Act provided for the communication of information furnished under this Act. The instruction called for in the subject requisition constitutes communication of defense information and was therefore an expense which could be legitimately defrayed out of Lend-Lease funds."<sup>57</sup> Gradually, the US Congress also came to realize that it was meaningless to provide highly complex modern machinery to friendly nations without training foreign personnel to operate and maintain the weapons of war.<sup>58</sup>

The Attorney General in a message to the President, dated May 23, 1941, endorsed the legality of the British pilot training program. After quoting portions of the Lend-Lease Act, he stated that "under these provisions, the President may authorize the Secretary of War to dispose of planes, fuel, spare parts, instruction books and like articles to the British Government for use by British students at an Air Corps training center upon such terms as he deems satisfactory."<sup>59</sup> On the basis of the Attorney General's opinion, the British pilot training program went forward and served as an example for carrying out training of Chinese pilots.

Upon receipt of the opinion of the Attorney General in March,

1941, FDR himself settled the question as to what appropriation should be used by allotting \$ 33,706,330 for pilot training from the Defense Aid Supplemental Appropriation Act of March 27, 1941.<sup>60</sup> Of this sum, fourteen million came from the categories "for testing, inspecting, proving, repairing, outfitting any Defense articles" and the rest came from the aircraft and micellanous military equipment category.<sup>61</sup>

The training of the Chinese students presented a slightly different problem than that of the British for the reason that the necessary planes, gasoline, spare parts, instructions were to be provided by civilian air schools and the cost thereof paid by the United States Government. In this case, the Judge Advocate General rendered a legal opinion that such training was legal under the Lend-Lease Act and recommended favorable action by the War Department on the two Chinese requisitions.<sup>62</sup> Thus, favorable legal opinions were rendered on all questions in these first cases and the War Department proceeded to provide training under the Lend-Lease Act in both the United States and overseas.<sup>63</sup>

The first training program involving Lend-Lease funds were for the training of Chinese military pilots and other air personnel. Gradually, "many other war-related training programs were developed which included specialized training in military science, medicine, public health, and the various fields of engineering, transportation, communication, agriculture and forestry."<sup>64</sup> At the beginning of this program in August, 1941, the Army did not have Lend-Lease funds, and the costs were provided through requisitions processed through the office of the Lend-Lease Administration and



committed to the War Department, which assumed full control and direction of the training. There were five of these military training requisitions before FEA processed any training programs of its own. These were:

C-303	August 21, 1941	500 Cadet Pilots	\$3,550,576
C-302-A	September 10, 1941	100 Cadet Pilots	\$ 889,920
C-303	September 10, 1941	50 Radio & Armorer	\$ 92,443
C-685	November 08, 1941	9 Aviation Engg.	\$ 24,000
C-625	January 15, 1942	10 Armorers	\$ 20,000
C-632	January 24, 1942	1 Flying Officer	\$ 1,000

Eventually, the army trained a large number of Chinese out of Army's its own Lend-Lease funds and such reports did not distinguish between training done with OLLA and that done with Lend-Lease funds.<sup>65</sup>

The first training of Chinese Army personnel under Lend-Lease provided for the instruction of 500 Chinese pilots. Because China lacked sufficient pilots and was also incapable of arranging training programs of this sort, the US responded to the Chinese requests and arranged training programs for the Chinese pilots inside its territory. The first group of pilots, consisting of fifty students, arrived in San Francisco on October 21, 1941 and were trained at Thunderbird Field, Arizona. A year later, a total of 338 Chinese had arrived in this country for training under the United States Army Air Corps and the training was the same as that given to American cadets.

With the progress of the War, "China took full advantage of the various military courses being offered in the United States and representatives attended schools for military government, infantry tactics, field artillery, staff and command, armored, tank destroyers, cavalry and coast artillery in addition to schools conducted by the Army Service Forces and the Air Corps."<sup>66</sup> By late 1943, the first two groups of Chinese Cadets were in action with the Chinese Air Force and the 14th United States Air Force in China. Other courses to equip Chinese crews to fly American-made heavy bombers, provided under Lend-Lease, were inaugurated for pilots, bombardiers, navigators, and radio operators and mechanics. All expenses except pay and uniforms for the Chinese Cadets were furnished under Lend-Lease.<sup>67</sup>

Since there was no modern Chinese Navy, it was impossible for China to operate the big Liberty Ships which she received from the US under the Lend-Lease program. Moreover, China needed to train personnel in order to have a basis for a big Navy. A second Chinese training program, sponsored by OLLA's successor, the Foreign Economic Administration (FEA) involved a short course offered by Navy authorities at Treasure Island, California to train anti-aircraft gun crews for the Liberty ships Lend-Leased to China under "bareboat" charter to U.S.A. Arrangements were made by the US for which funds for "20 Armed Guards" were committed under requisition C-1061-B of \$45,000 on April 30, 1944. The trainees arrived on July 3, 1944 but, due to a delay in acquiring interpreters, the training was not completed until December, 1944.<sup>68</sup> Two small programs were also approved in April 1944 by the Lend-Lease for China which were

C-1065-B for 12 marine officials and one shipping clerk at \$42,750 and C-1064-B for 40 public health and army medical men at \$176,000.<sup>69</sup>

In the face of an acute shortage of medical officers in the Chinese Army, only 18 Public Health Officers arrived in March 1945, and under the direction of the US Public Health Service, completed their training and returned to their country in October, 1945. All the Officers held an M.D. Degree and had considerable experience.<sup>70</sup> In all these FEA training programs, FEA only evaluated and approved the projects and supplied the funds, while the United States Public Health carried out the programs. FEA didn't have the training equipment or the administration and technical staff to undertake the training itself.<sup>71</sup>

In order to arrange a better administration of the training of foreign nationals, the International Training Administration (ITA), a non-profit service corporation, was established and every effort was made to eliminate training that could not be justified as related to the war effort.<sup>72</sup> In evaluating the FEA program from a Lend-Lease (war effort) point of view, it must be borne in mind that " only the 20 armed guards and 8 marine officials finished their training before the end of hostilities, and 960 of the 1019 who came over to the US" were still there in January 1945.<sup>73</sup>

But it does not mean that this training program was without any significance in terms of China's contribution in the war. The principal benefit of the training programs were to teach Chinese how to use and maintain the war material the US sent them. American training in China was more beneficial than bringing them to the US.

The Chinese medical officers trained in the US, in turn, trained or shared their know-how with other Chinese, but also they themselves contributed substantially toward the medical concerns of the Chinese military.

In June and July, 1945, the Chinese informally presented two training programs which were turned down (after consultations with FEA, Chungking) as not likely to be finished in time to be of any value to the war efforts. One program was for the training of 185 Chinese ground personnel and the other was for the training of 296 marine officers, armed guards and marine cadets to man Liberty ships to be provided to China under Lend-Lease.<sup>74</sup> On V-J Day, more than 700 Chinese were still in training in the US. In an agreement signed by the Chinese supply commission and the FEA on March 1, 1946, the training program was continued on a reimburseable basis.<sup>75</sup>

Besides conducting training programs inside the United States, programs were also arranged inside China to train the Chinese Army by the US military officers. At the beginning, it was thought to be impractical and too expensive to transfer to China the necessary requirements of training programs such as equipment, oil and fuel. However, with the establishment of the China-Burma-India theater and the presence of thousands of American troops in Asia, training programs were developed and training centres were established by the United States Army. The weapons and equipment for the Chinese were furnished under Lend-Lease."<sup>76</sup> The initiative for the Chinese Army training programs in India came from General Joseph Stilwell.

After his defeat in Burma in 1944, General Joseph Stilwell was successful in bringing some of the war weary soldiers to Ramgarh,

Bihar, in India and these eventually formed the nucleus of his X-Ray or X-Forces. By April 1943, Stilwell arranged for a training center in Yunnan province, where the forces came to be known as the "Y Force". These two forces together formed the Thirty-Division Chinese force of General Stilwell and were trained under Lend-Lease funding.<sup>77</sup> About Stilwell's desire to reform the Chinese army, Grace Person Hayes writes, "General Stilwell had found the performance of the military forces in Burma most disheartening. However, despite the corruption and inefficiency of the officers of Chinese armies and the poor showing they had made, General Stilwell had faith in the potential value of the Chinese soldier as a fighting man. Since it was apparent that he could not count on American troops for a campaign in Burma, and an all out effort by the British seemed unlikely, General Stilwell proposed to use Chinese troops, those already scheduled for reequipment and retraining under the thirty division plan and a second large group (100,000 men) that he would train under American officers in Northern India. There he could use Chinese Lend-Lease equipment which had already arrived or which would be sent from the United States but could not be carried farther. Transportation facilities were not adequate to move large quantities of motorized equipment and heavy field pieces from India to China, but men could be marched from China to India if no other means of transportation was available."<sup>78</sup>

Stilwell brought up the plan for the training of 100,000 Chinese troops in India in a meeting with the Generalissimo in June 15, 1942. This thirty division proposal included the creation of

new Chinese army groups one of which would be organized in India built from the remnants of Chinese units who retreated from Burma and they would be supplemented by new conscripts. The second larger group of thirty Chinese divisions would be assembled in China's Western Yunnan province.<sup>79</sup>

Although Chiang agreed with the creation of a small Chinese force in India, "since they would be outside the country and posed no immediate threat", he "adamantly refused to consider recognizing thirty divisions in Yunnan."<sup>80</sup> Chiang considered the presence of an independent reformed army on China's mainland a direct threat to his authority and a source of potential danger. In order to counteract the ground strategy and army reform program of Stilwell, Chiang Kai-shek supported Claire Chennault's demand for an air strategy involving 500 planes to bomb Japanese cities. At last, during Lauchlin Currie's second visit to China, Chiang, in exchange for a large amount of monthly hump tonnages and an expanding American air force, "announced his decision to accept Stilwell's strategy of a ground campaign to open Burma", and approved "in theory the creation of a new thirty division force in Yunnan." But it was not until April, 1943 that the work on Y-force began.<sup>81</sup> The X-ray force which originally consisted of three divisions and later of five divisions plus 'Yoke' force, "equalling thirty divisions, became the basis for the 'Thirty Division Program', which was first officially presented to and concurred in by the Commanding General United States Army Forces, China-Burma-India, in March 1942."<sup>82</sup>

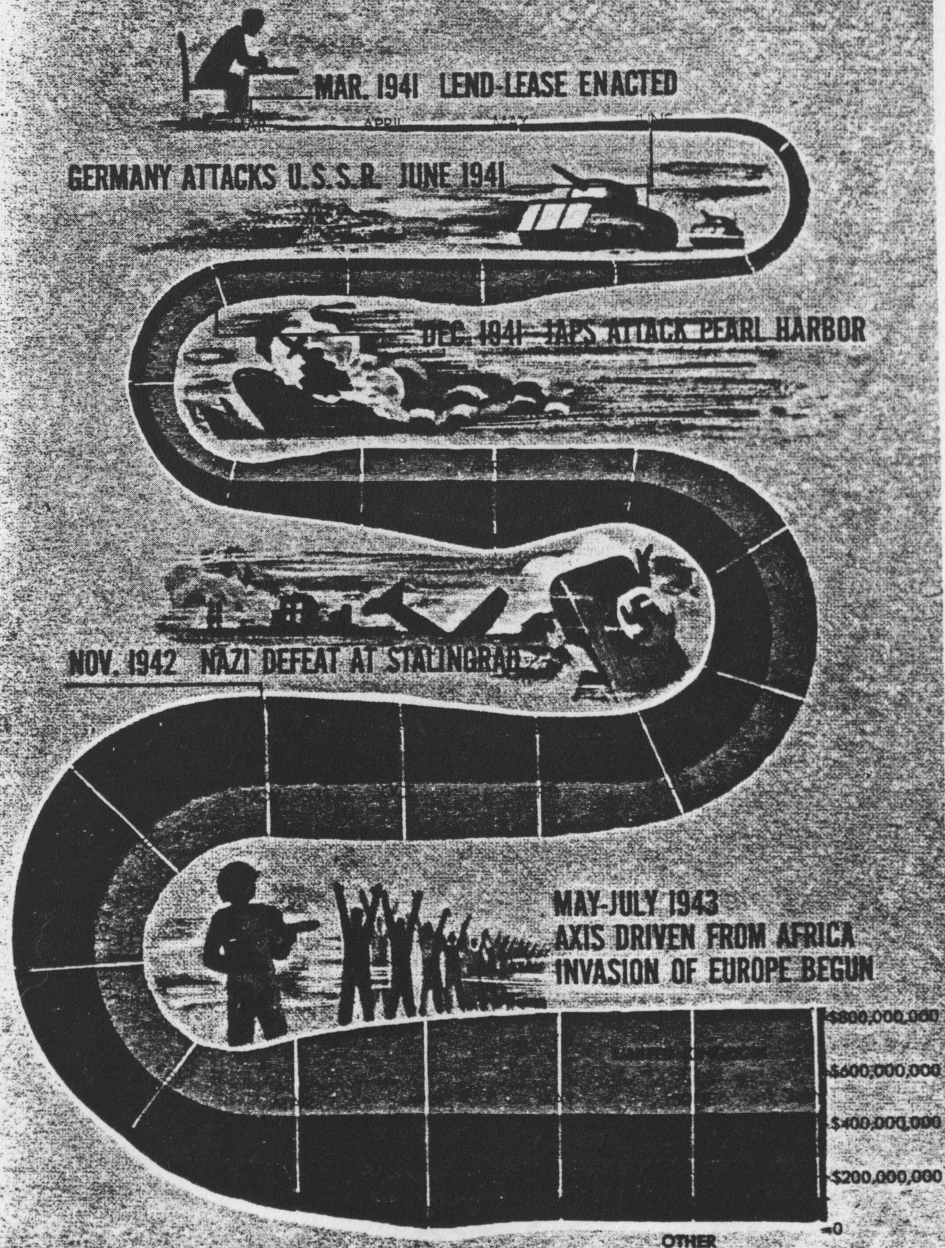
As a result of inadequate Chinese control of troops, insufficient local production and resources and a desire of a more

independent United States control, the thirty division program gradually developed to a point where the US became responsible for the supply of all items required for the Thirty Division Force. War Department approval of this plan was granted in October, 1942.<sup>83</sup> General Stilwell's training project met with approval in Washington where the Department saw in it the way of easing their problem with Lend-Lease for China as well as a method of acquiring sizeable forces for operations in the CBI Theater without having to send American divisions to that distant and unattractive region. Chiang Kai-shek agreed in general with the plan.<sup>84</sup>

In an effort to achieve a Chinese program related to strategic requirements and theater logistic capabilities, the War Department, in 1943, approved General Stilwell's request that all military requirements for China be determined and forwarded by US personnel in the China-Burma-India Theater. Accordingly, action was taken during 1943 toward organizing a second thirty division program.<sup>85</sup> Meanwhile, in November 1943, under the command of General Chennault, a composite wing of the Chinese Air Force was formed of the Chinese and American air men and ground units. It was equipped with the latest type of P-40s and B-25s.<sup>86</sup> The training at Ramgarh was completed by January 1944 and some 3,526 officers and 29,667 men had been trained and equipped with American arms and organized under American officers. The forces in training in Kunming had been assembled by the Spring of 1943 in Western Yunnan.<sup>87</sup> With the exception of light arms provided by China, all other equipment such as artillery, engineering, communications, medicine, gasoline and trucks were supplied under Lend-Lease. Provisions and draft

# THE STREAM OF LEND-LEASE

Increase in monthly Lend-Lease exports since March, 1941



Source: E. R. Stettinius, Jr. Lend-Lease: Weapon for Victory.





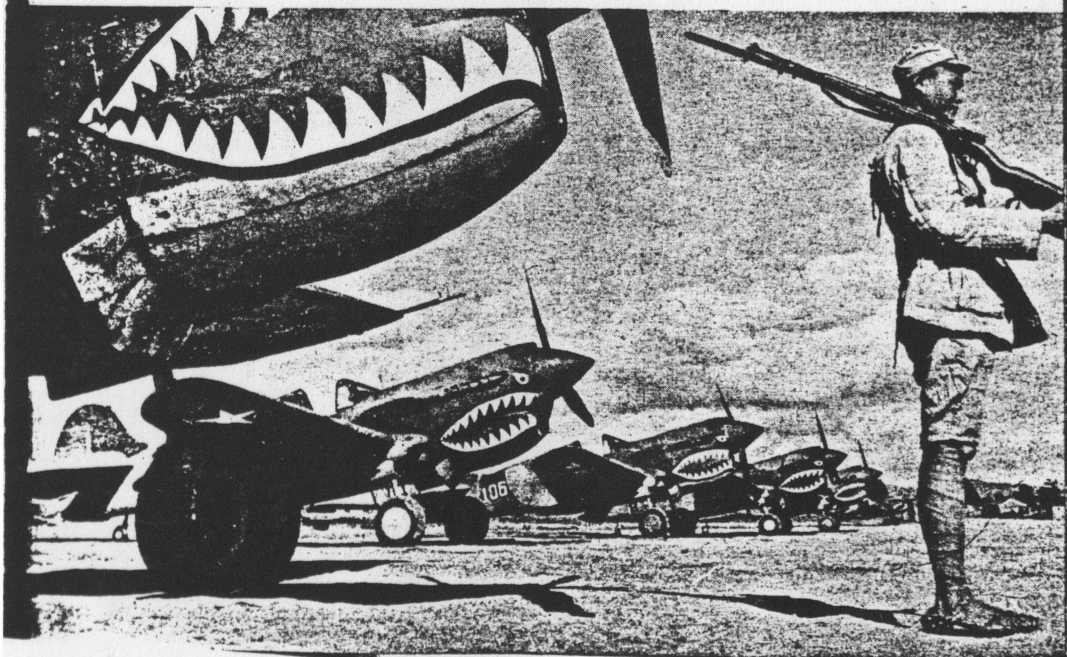
*Press Association, Inc.*

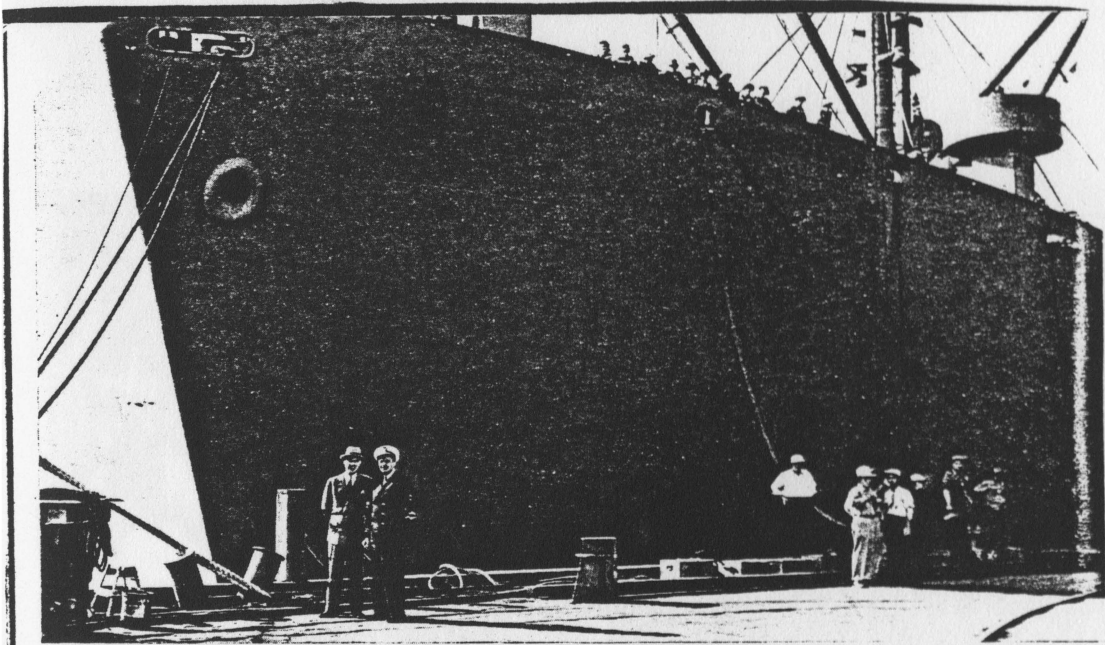
Chinese pilots receive advanced operational training at an air base in the United States. These pilots have since returned to their country to fight the Japanese.

Source: E. R. Stettinius, Jr. Lend-Lease: Weapon for Victory.

A Chinese soldier guards P-40 planes of General Chennault's Flying Tigers.

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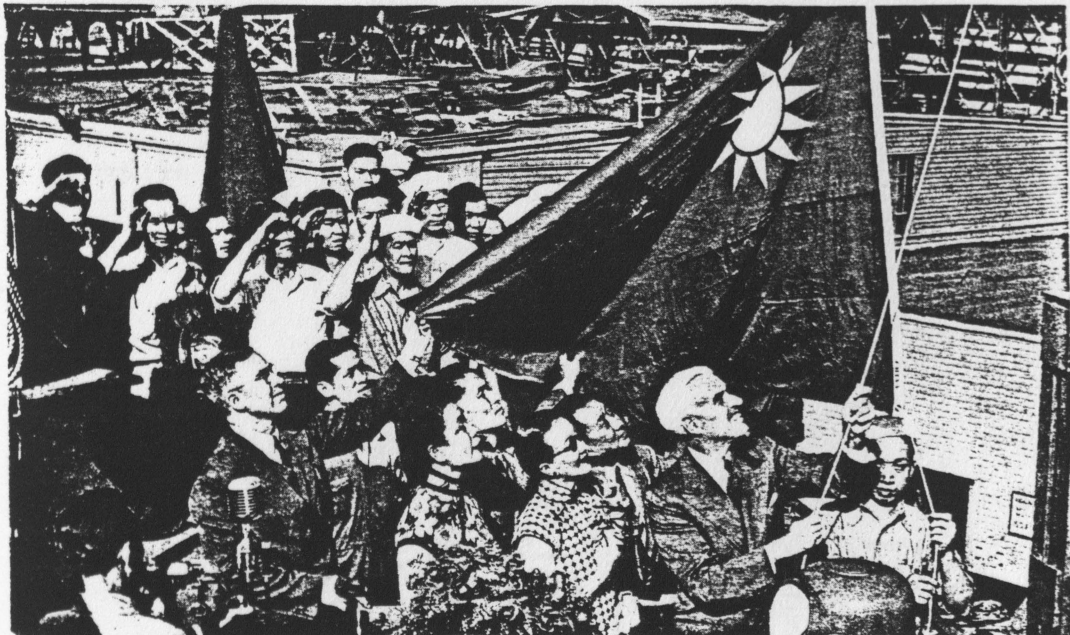


*War Shipping Administration*

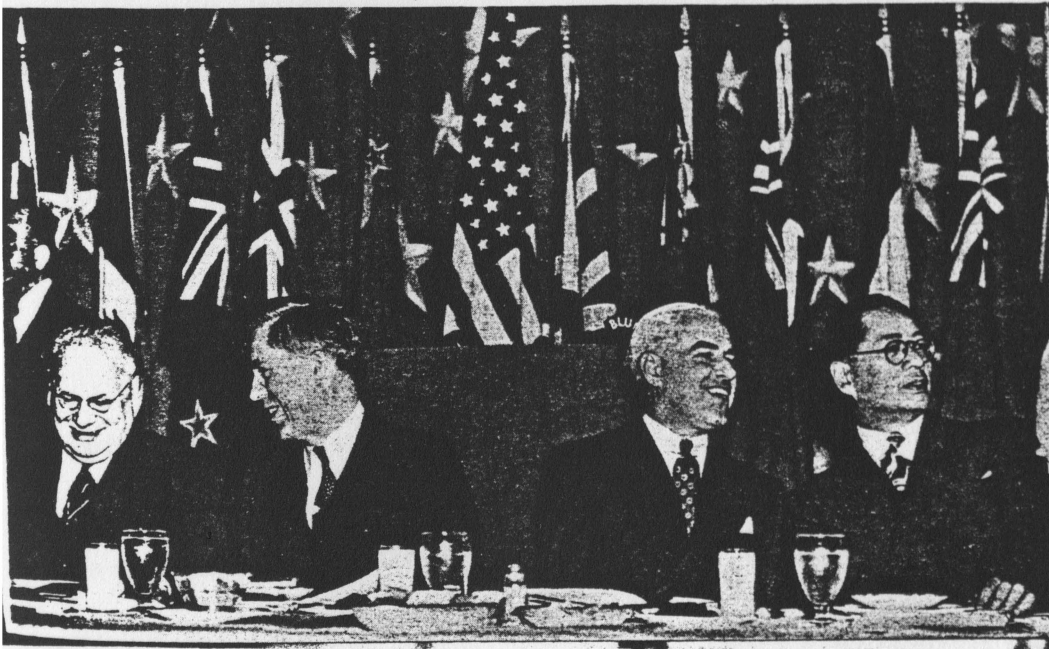
The Maritime Commission builds Liberty Ships for Lend-Lease. The Liberty Ship *Chung Cheng* on the day she was transferred for operation under the Chinese flag.

Hoisting the Chinese flag on the *Chung Cheng*.

*War Shipping Administration*



Source: E. R. Stettinius, Jr. Lend-Lease Weapon for Victory.



Soviet Ambassador Litvinov, Vice President Wallace, Mr. Stettinius and Chinese Foreign Minister Soong at a luncheon given by the staff of the Lend-Lease Administration on the second anniversary of the signing of the Lend-Lease Act, March 11, 1943. The menu consisted entirely of dehydrated foods, such as are sent abroad under Lend-Lease.

OWI

Source: E. R. Stettinius, Jr. Lend-Lease Weapon for Victory.

animals were supplied by China and guns by both. However, this "Yoke" force while greatly superior in number to the "X-Ray" force from India, was only partially equipped by America because of tremendous difficulties involved in moving sufficient equipment into China. By September, 1943, everything was in order.<sup>88</sup> In early 1943, before the completion of this training, Stilwell drafted a plan for training another thirty divisions. But owing to the changing military policy of the US War Department, Stilwell was allowed to equip 10 percent, i.e, three divisions, of his total thirty division program.<sup>89</sup>

The satisfactory completion of the training programs at Ramgarh and in Yunnan did not solve the problem and Lend-Lease was again used by the United States as a leverage to compell Chiang Kai-shek to let Stilwell take the Chinese Army in to North Burma. The ostensible purpose behind the North Burma campaign "was to open up line of communications between Burma and China, but its real objective was to take only Myitkyina for building airfields to co-ordinate with the American Pacific Ocean operations."<sup>90</sup> Although Chiang granted Stilwell the command to lead the X-force into Burma in December, 1943, he refused to send Y-force there due to British refusal to send Navy support in the Bay of Bengal for an amphibious operation in North Burma. Despite FDR's repeated request to dispatch the Y-force, Chiang remained stubborn on this issue.<sup>91</sup> Even in the face of a strong Japanese onslaught along the Burma-India frontier in March 1944, Chiang refused to send the Y-force to Burma on the ground that China was not strong enough to commit its Y-force pending the desired amphibious operation.<sup>92</sup>

At last, in a message of April 10, 1944, Marshall instructed General Thomas Hearn to tell the CBI authorities that unless Yunan forces moved, Lend-Lease shipments would be stopped.<sup>93</sup> Accordingly, Hearn ordered that the Hump tonnage allocated to the Yunan forces for April, 734 tons, be transferred to the 14th Air Force. This news indirectly reached Chiang Kai-shek through Madame Chiang Kai-shek and others, and he gave way. On April 15, 1944, the Chinese Yunnan Expeditionary Force crossed Salween river into Burma and pushed toward Lunglin and Tengchung.<sup>94</sup> The Y-force began its attack on May 11, 1944, and eventually turned the tide of battle in Burma.<sup>95</sup> Meanwhile, X-force, supported by American Army engineers and later spearheaded by an American Combat team, opened their attack in the vicinity of Ledo in Assam and drove across the primitive, rugged terrain into Burma and thence down the Mogaung Valley towards Myitkyina. After a long and hard campaign, the two Chinese forces joined in the vicinity of Bhamo at the end of 1944. By that time, X-Ray force had succeeded in taking the strategic city of Myitkyina, and the occupation of Myitkyina greatly helped in Admiral Nimitz's "Central Pacific Offensive."<sup>96</sup>

From the very beginning, the US granted Lend-Lease to China in a planned and co-ordinated manner. In fact, it tried to maintain this rational way of dealing with China through out the war period. The US, however, was occasionally manipulated by Chinese pressures. The famous Chennault-Stilwell controversy illustrates the manipulative manner with which the Chinese approached the American Government over military Lend-Lease supplies. Chiang Kai-shek's government used the controversy as a method of obtaining more

supplies from the US since the Trident Conference. After Japan's attack on Pearl Harbor, the Chinese KMT Government began to believe that America was in dire straits and that she had no alternative left in its Pacific and Asiatic policy, other than to help China. Moreover, FDR's vision of transforming China to a post-war democratic ally, made the US further vulnerable to the repeated Chinese pressure. The first incident in this connection took place during the summer of 1942 when CCS transferred the US 14th Air Force from India, at that time was engaged in carrying hump supplies to China, to North Africa in order to resist the advance of the German troops under the command of Field Marshall Erwin Rommel.<sup>97</sup> Reacting to this news of diversion, Chiang Kai-shek handed over to Stilwell "three minimum requirements" for maintenance of the China Theater.

These were:

1. United States should dispatch three Army divisions to India in August and September to help Chinese troops restore the supply line to China via Burma.
2. Provide a force of 500 combat planes in the China Theater starting in August, 1942.
3. Deliver 5,000 tons of supplies monthly via India starting in August, 1942.<sup>98</sup>

Despite opposition from both General Stilwell and the US Ambassador, Clarence E. Gauss, the FDR Administration sent Lauchlin Currie to China who recommended the acceptance of three revised demands of Chiang Kai-shek, and FDR finally accepted Currie's view. Meanwhile, the post-war political vision plus the CCS's agreement and the decision to launch a counter -attack on Burma provided

another incentive for FDR to meet the three demands of Chiang.<sup>99</sup> Consequently, Roosevelt promised Chiang an increase in hump deliveries to 5,000 tons, 500 combat aircraft for China, and an increase in the 10th Air Force to fifteen squadrons. FDR said that the US would make every effort to expedite aid to China within technical limits.<sup>100</sup> Although he did not agree to send his troops to participate in the Burma campaign, Chiang was happy on the ground that he had received Washington's commitment for an increased amount of Lend-Lease supplies.<sup>101</sup>

Chiang's demands for more Lend-Lease assistance, did not die with the fulfilment of the three demands by FDR. At the Casablanca conference in mid January, 1943, the US officials, especially General George C. Marshall and Admiral King convinced FDR and Churchill that a limited Burma offensive supported by a limited amphibious operation by the British should be undertaken.<sup>102</sup> But as soon as Chiang Kai-shek was informed about the decision by a group of American and British officials headed by General H. H. Arnold, Commander of the US air force, they were given a set of demands already prepared by Chiang. The list of demands stated that the Nationalist Government could only participate in a Burma campaign if China received twice as much tonnage as before (10,000 tons per month) and if Chennault actually possessed 500 air planes. The tone of these demands, Arnold noted, suggested black mail.<sup>103</sup> During this time, Marshall and Stimson sided with Stilwell's ground strategy, while Hopkins and Currie inclined toward Chennault's Air Force and supported him as well.<sup>104</sup> Largely influenced by his war time and post-war objects, FDR wanted to keep China in the war and

again decided to yield to Chiang's demands and stated that it would be counter productive to attempt to command Chiang, a man who struggled to become "undisputed leader of 400,000,000 people" and who had created in China "what it would take us a couple centuries to attain."<sup>105</sup> Conceding Chennault's Air strategy in China, FDR

made a three point decision in early March, 1943. These were:

1. Creation of the US 14th Air Force with Chennault as commander exercising independent command.
2. Gradual increase of Chennault's Air Force until it reached a total strength of 500 planes.
3. If facilities permits, the air transport volume from India to China should be increased to 10,000 tons per month.<sup>106</sup>

In accordance to this decision, General Marshall at once activated the 14th Air Force under Chennault. An increase in Lend-Lease supplies for China was requested by T. V. Soong and recommended by Chennault at the Trident Conference. Before the Trident Conference (lasting from May 12 to May 23, 1943) FDR ordered the stepping up of hump tonnage with a priority for Chennault. It was decided that, "China would receive ten thousand tons of supplies per month, from which Chernault would get a fixed minimum and Stilwell the remainder."<sup>107</sup>

When the Allied powers met at Quebec in August, 1943 (QUADRANT- code name), there was a major change in strategy in fighting against Japan. In order to attain a quick victory over Japan, the U.S. planned to attack Japan directly from the sea and took the island-hopping tactics. The major emphasis on an island-hopping campaign, however, didn't diminish the importance of China totally. "QUADRANT



called for a limited North Burma offensive in November, 1943 with an amphibious attack on Rangoon set for January, 1944, an increase in supplies to China, and "the introduction of a few thousand American commandos for the projected offensive."<sup>108</sup> This decision to attack North Burma resulted in the following prospects for the China-Burma-India Treaty:

1. "An increase in the amount of air cargo being flown to China by the Air Transport Command (ATC) to 20,000 tons a month by mid-1944.
2. A road from India to China (the Ledo Road) to enable the transportation of 30,000 tons of supplies per month in the initial period (Jan. 1945).
3. A gasoline pipeline from Assam via Fort Henry in northern-most Burma to Kunning.
4. A thin-walled six-inch pipeline from Calcutta to Assam province to supply the Air Transport Command airfields there.
5. A thin-walled six-inch pipeline to China.
6. An American-operated barge line on the Brahmaputra River to bring supplies forward from the port of Calcutta to the Allied bases in Assam.
7. Improvement of the Bengal and Assam Railway." Although these projects were too big and expensive, the U.S. "resolutely undertook them regardless of the cost."<sup>109</sup>

In the meantime, repeated successes encouraged Chiang Kai-shek to demand a billion dollar loan out of the Lend-Lease grant. In the first phase of the Cairo Conference which lasted from November 22 till Nov. 27, 1943, the British Prime Minister Winston Churchill,

upon FDR's repeated insistence, agreed to support an amphibious attack on Burma, accompanied by the land operations of the Chinese ground forces.<sup>110</sup> But the ensuing discussions with Stalin, whom FDR and Churchill met in Tehran on Nov. 28, 1943, cast a changed light on earlier decisions, and the British amphibious attack plan was withheld.

Chiang Kai-shek's reaction was prompt. He demanded a billion dollar loan from the US. As a reason, Schaller says, "While he (Chiang) had never approved of fighting in Burma for its merits, he must have realized the dire implications which flowed from this changed strategy. No plan for a major offensive meant no longer increase in the level of Lend-Lease aid. This threatened the Generalissimo's plans to stockpile aid for the future. In reply to FDR's notification about the changed strategy Chiang demanded major compensation in the form of a \$1 billion dollar loan and the expansion of hump deliveries to twenty thousand tons per month".<sup>111</sup>

FDR, however, was not moved by Chiang's demands this time. Probably he realized the insignificant role of China in the War. After the adoption of the "island-hopping" policy, FDR like everybody else, realized the reduced strategic importance of China. For the first time FDR opposed the demand for a one billion dollar loan. In this regard, he was supported by Stilwell, Gauss, and Morgenthau and opposed only by Hornbeck. On January 5th, Chiang threatened to cease assisting the construction of American bomber bases, and said that "China might be forced to drop out of the War". Although this threat was not a very serious one, "they didn't want to impede construction of the bomber bases." As a result, "a

decision was made to grant minor economic concessions to Chiang and they had to work out an amicable compromise on the revision of dollar-yuan exchange rates".<sup>112</sup>

China's demands for more Lend-Lease goods using threats continued until V-J Day. Immediately after the Japanese surrender, T.V. Soong and other Chinese officials urged the United States to grant an unconditional loan on a mutually beneficial basis, but not as a "debtor nation". They asked for two hundred million dollars worth of free gold, a commitment for 20,000 tons of textiles on Lend-Lease, 19,000 trucks, certain military equipment and all kinds of assistance for Yangtze Gorge project. The nature of the Chinese threat for the above mentioned demands was revealed in a telegram of Patrick J. Hurley to the Secretary of State, which read: "Soong's attitude in endeavouring to obtain American approval of his requests by mentioning that unless the kind of assistance he required is immediately forthcoming he will obtain it from others, seems to have infiltrated to other departments of the Chinese government."<sup>113</sup> But after FDR's death and with the arrival of Truman as president of the USA, the practice of threatening or pressure was greatly reduced owing to the fact that Truman was a practical president who was not committed to a future vision of China.

Although Lend-Lease aid greatly contributed to the strengthening of Chinese resistance, it created some incidental problems which seriously affected Sino-American relations. The problems originated in the Chinese feeling of being neglected by the U.S. From the beginning of 1942, the Chinese government gradually began to feel that it was being restrained. The next grievance of

Chiang Kai-shek was how to arrange a demarcation line between his and Stilwell's authority, both on Lend-Lease and on other military affairs. The conflict between Stilwell and Chiang originated long before Magruder had left China.

Stilwell, a perfect representative of the War Department, always tried to evaluate the situation and the needs of China on a practical basis, rather than by the post-war imaginary vision of FDR which envisioned China as a great postwar ally who deserved unlimited assistance wherever she wanted it. Stilwell always tried to justify the needs of China, in terms of her contribution to the war effort, he found that her contribution was practically nothing. From the beginning he was greatly in favor of a reformed and reorganized Chinese army trained and equipped in Western fashion. He believed that this was the way to success against Japan and also would serve post war stability. Although a conservative in terms of the prevailing American political system, Stilwell was the supporter of a liberal coalition government in China. He found that the KMT Government had a tendency to hoard the assistance goods for the post-war fight for supremacy against the Communists.<sup>114</sup> This ran counter to American war aims, he believed, and he wanted to make sure that all Lend-Lease supplies would be used against Japan. Therefore, time and again he came into conflict with Chiang Kai-shek on the question of his control of military Lend-Lease. Chiang, by the same token, found in Stilwell an enemy of his free access to the unlimited reservoir of the United States.

During this time, the U.S. press and military were criticizing the KMT government severely for (a) "hoarding and

failing to make proper use of Lend-Lease supplies," (b) "keeping a large army to maintain Chiang's own positions," (c) "containing the Communist at North Shens, instead of fighting the Japanese, and dictatorial tendencies in Chinese politics".<sup>115</sup> All these points were discussed during Currie's second visit to China, but Chiang Kai-shek and his associates did not take the criticism seriously.

The first incidence which irritated China was in the spring of 1942, when in the face of huge stockpiling of Chinese Lend-Lease goods in India and in New Port News, US, the MAB recommended a reduction in the Chinese Lend-Lease supplies.<sup>116</sup> The Chinese opposed this reduction and their views on Lend-Lease requirements often differed from those of Stilwell. In order to solve this problem, Marshall suggested to General Stilwell that he and the Generalissimo "get together and send joint Lend-Lease cables".<sup>117</sup> Since Stilwell was in Burma, Brigadier General John Magruder replied on his behalf and proposed in terms "similar to those used several times by General Stilwell, that some restriction should be put on the Lend-Lease program for China." Magruder further recommended that the use of military Lend-Lease assistance for "a limited organization of forces that could be equiped and restrict the Chinese Lend-Lease program to equipment for those forces." Even Magruder was in favor of applying pressure on the Chinese Government to release all illegally hoarded essential Lend-lease materials for the cause of the War.<sup>118</sup> But the Chinese representative, T. V. Soong, strongly opposed the proposal to reduce the Chinese Lend-Lease aid to China, and at last, the MAB fixed 3,500 tons a month "exclusive of air plane fuel as the allotment for China. At the

same time, the MAB, in order to relieve congestion in India granted Stilwell a new authority "to see that materials under the program were used where needed."<sup>119</sup> In order to check any wastage of Lend-Lease supplies, the Munitions Assignment Board of the Lend-Lease program, on May 11, 1942, adopted new measures, designating Stilwell as the recipient of China's Lend-Lease supplies and giving him the power to determine "when to distribute" and "where to deliver."<sup>120</sup> Thereafter, the Chinese Government's requests to the Munitions Assignment Board for Lend-Lease supplies could not be considered unless they were accompanied with distribution plans and a timetable approved by Stilwell. Stilwell, however, "declined to formulate plans for any request to which he had not agreed." As a result of which some of the Chinese requests were not accepted.<sup>121</sup>

Meanwhile, matters came to a head, when Stilwell met Chiang on June 26, 1942 to talk about the transfer of 10th Air Force planes to the Middle East without his (Chiang's) approval. Although Chiang blamed the U.S. and Great Britain for neglecting the CBI Theater, he criticized Stilwell for not being able to effect "timely delivery of United States munitions and supplies". To quote Chiang, "According to Minister Soong, the United States War Department has been waiting for your (Stilwell's) recommendations on increases in shipments of planes and munitions, but you have not made any proposals for a long time. The War Department asked if additional transport planes should be sent to China, but you said they were not needed." In reply, Stilwell mentioned that the responsibility lay with the U.S. War Department, "but didn't deny that he had rejected more transport planes for China".<sup>122</sup> During this time Chiang supported Chennault's

air strategy and began to press the U.S. for more planes, while Stilwell and the War Department advocated a ground strategy.

Another controversy arose two days later. The China Aviation Corporation, a Sino-American venture registered in China, obtained several planes under the Lend-Lease Act. When instructed by the Generalissimo to deliver two planes for use by the Aviation Commission, Stilwell refused on the ground that the planes could be used only for military transportation purposes. At a July 2 meeting on plans for use of the proposed 500 planes, Madame Chiang asked Stilwell to express an opinion on whether the Generalissimo had the right to dispose of Lend-Lease supplies.<sup>123</sup> In reply, Stilwell proposed that he was primarily the commander of all American forces in the China-Burma-India Theater. Secondly, to quote Stilwell,

I am charged with the supervision and control of Lend-Lease material, and am to decide the place and time that title passes. After title passes, the Generalissimo controls the disposition of the materials. I was given this responsibility to ensure that American Lend-Lease equipment would be employed solely for the effective prosecution of the War, and in such matters as the representative of the president, who can under the law recall Lend-Lease materials at anytime, prior to delivery. Moreover, ... As Chief of Staff, my duties are concerned with planning, organization, training and operations in the field and don't extend to procurement of material...<sup>124</sup>

This memorandum opened up a new truth to Chiang concerning Stilwell's authority on the Lend-Lease. In fact, Stilwell's dual command and authority over Lend-Lease supplies were agreed upon by T.V. Soong and Stimson by an exchange of letters. But Soong had not accurately reported to the Chinese Government the arrangement he had made with Stimson, nor had he transmitted to the Generalissimo FDR's message of July 3, supporting Stilwell.<sup>125</sup> Stilwell wanted to use this control on Lend-Lease for the best prosecution of the War. For

example, while Currie and Stilwell were visiting the Ramgarh training program to check on the preparation of the British-Burmese forces for a counter-attack in Burma, on August 4, 1942, Stilwell tried to persuade Currie to take advantage of the allocation of Lend-Lease supplies as a lever to compel China to accept his plans for army reorganization, but Currie opposed it.<sup>126</sup>

After reading Stilwell's memorandum, the Generalissimo instructed T.V. Soong to take up the matter with the U.S. Government. When Soong talked to the War Department, the officials of that department supported Stilwell in a drafted message on July 22, which Roosevelt signed, and this supported Stilwell.<sup>127</sup> Before this, on July 14, 1942, General Marshall told Soong that Stilwell would not be recalled and "even though Stilwell might be recalled, any successor would have exactly the same powers over Lend-Lease aims to which the Generalissimo objected in Stilwell and the same primary responsibility to the United States."<sup>128</sup> In fact, the U.S. War Department had every intention of controlling Lend-Lease supplies for China through its military representative. Even before "delivery was made by the representative of the United States Army, ownership of supplies remained with the United States and the United States Government could at any time change the recipient, recall the supplies, or refuse to hand them over."<sup>129</sup> As a reason for this, Chin-Tung Liang mentions that the United States War Department "took advantage of administrative techniques in an attempt to change President Roosevelt's China policy".<sup>130</sup> But this is not true. What the War Department wanted, was proper utilization of the Lend-Lease assistance, for the prosecution of the war against Japan.



Chiang's wrath was next aroused when Stilwell plunged himself into internal Chinese politics for the purpose of overthrowing Chiang Kai-shek.<sup>131</sup> When Chiang Kai-shek learned of it, he believed he needed absolute power to control the distribution of American military supplies, so that they could not be used to strengthen the disloyal elements. "The anger felt toward Stilwell", as Michael Schaller says, "is evident in a secret report written sometime later by War Minister Ho Ying-Chin. Almost 75% of all American tonnage entering China Ho complained, went to American ground and air units. The remainder went to the Chinese. Even more demeaning were the constraints put on the use of war aid."<sup>132</sup> The Chinese resentment was expressed in the following statement of Ho Ying Chin:

The Americans want to decide what we need. As a condition for turning it over they want to train the troops. Before that is done they want to decide what troops are to be trained. After they have trained they want to keep control of them by liaison officers. All this means a great deal of trouble connected with American aid.<sup>133</sup>

Afterwards, Chiang became adamant that Stilwell should be relieved, in which question of authority over military Lend-Lease played a major and fundamental role.

Stilwell's first defeat came at the end of 1943, when FDR granted China "ten" thousand tons of supplies per month, from which "Chennault would get a fixed minimum and Stilwell the remainder" (135). This was completely against the principle of quid pro quo of Stilwell and the War Department. At the same time, T.V. Soong, with the help of Harry L. Hopkins tried to "dump Stilwell and secure Chinese control over Lend-Lease". But due to a grand reconciliation

between Chiang and Stilwell effected by the efforts of General Brehen Sommervell, South East Asian Command (SEAC) representative, the question of control of Lend-Lease was suppressed for the time being<sup>135</sup>

The question of control of Lend-Lease again came to a head when Stilwell demanded full power to command troops. Although FDR requested that Chiang grant Stilwell full commanding authority, Chiang Kai-shek "refused to surrender any powers until he was assured of personal control over Lend-Lease distribution and plans to arm the communists" which definitely "negated the entire purpose of Stilwell's assumption of command."<sup>136</sup> Even Marshall's warning concerning the termination of U.S. aid failed to secure full commandership for Stilwell and very soon with the help of Patrick Hurley and Donald Nelson, Chiang was able to persuade FDR to recall Stilwell from China on October 18, 1944. With Stilwell's recall the controversy over control of Lend-Lease also came to an end. It should be mentioned here that anyone whom the Chinese suggested as a replacement for General Stilwell would be "likely to be a man whom the group in power in Chungking believed they could use to their own advantage."<sup>137</sup>

One of the less effective military projects supported by the U.S. Lend-Lease program was the Matterhorn project. FDR wrote to Chiang Kai-shek that by carrying out this project, "we can deal the Jap a truly crippling blow: something so close to both our hearts."<sup>138</sup> Even before the departure of Stilwell from China, the air power doctrine in the China Theater had reached fruition. Operation Matterhorn was the embodiment of this new strategy.

Besides FDR's long term vision of bombing Japan from Chinese airbases, several other considerations were responsible for the origin of the Matterhorn project. In the first half of 1944, the limited operations projected in the Southeast Asia command necessitated a change in the plans for operations in Burma. When the amphibious operation Buccaneer<sup>139</sup> had been cancelled and the Generalissimo refused to permit Stilwell to move the "Y" into upper Burma, the SEAC staff reviewed a plan for long term strategy and recommended that the "support of the 14th Air Force and Matterhorn should be the main contribution of the South East Asia command to the war effort this year" (1944).<sup>140</sup> To carry out this plan FDR got approval from Chiang Kai-shek and Winston Churchill, and he offered to "make available the necessary funds through Lend-Lease appropriations."<sup>141</sup> In fact, it was another attempt of FDR to compensate China for the proposed and cancelled British amphibious support in the North Burma campaign.<sup>142</sup> The program involved five big air-bases for B-29 bombers in Chengtu, China, and six in India.

The targets set for B-29 operations were those advocated by the Air planners:

- a. Coke ovens in Manchuria, Korea and Japan.
- b. Japanese industrial and urban areas.
- c. Shipping concentrations in main Japanese shipping centers.
- d. Key aircraft industrial targets in Japan.

Stilwell believed that these "strategic bombing operations were to be the initial step of a sustained air bombardment designed "to achieve the progressive destruction and dislocation of the Japanese military, industrial and economic systems, and the undermining of

the morale of the Japanese people to a point where their capacity for armed resistance is fatally weakened."<sup>143</sup> This B-29 Bomber project was known as 20th Bomber Command, and it was placed under the direct command of General Arnold.

Although the 20th Bomber Command, under this expensive Matterhorn project, carried out several successful raids on Japanese bases in Manchuria, Formosa, Hankow, and Japan proper, they "did very little to hasten the Japanese surrender or to justify the lavish expenditures poured out on their behalf", and although the "shakedown was indeed valuable, but could better have been done elsewhere." Moreover, the way the Chinese Government confiscated lands and compensated the owners was bitterly criticized in China, and created so much resentment among the Chinese that the Chengtu area became a fertile ground for Communist penetration.<sup>144</sup>

Considering the tremendous problems of carrying supplies over the hump, together with the Japanese drive in East China, and also at the request of Hurley and Wedemeyer the bomber bases were shifted to the Marianas by January, 1945.

Another important "claimant on the supplies carried over the hump, albeit a smaller one, was the U.S. Navy's project known as Friendship (later SACO, Sino-American Cooperative Organization) which was set up, independent of General Stilwell, by a directive issued by the chief of Naval operations on 11 March, 1942."<sup>145</sup> Although SACO was initially established as a branch of the OSS,<sup>146</sup> in practice, it was free of control of the U.S.A's OSS headquarters, and was guided under the direction of the Chinese Himler Tai Li<sup>147</sup> Besides, "bureaucratic rivalry unrelated to the specifics of the

war", and the U.S. Navy's thirst "to exert influence in the army dominated China," thereby gaining an opportunity to play an important role "in post-war China which could be parlayed into status, budgeting, and policy making capital in post-war Washington," led to the establishment of the SACO.<sup>148</sup> The SACO's supplies "could be procured locally or delivered secretly by U.S. submarines, but like all other military projects in China, Friendship was largely dependent upon the hump for support."<sup>149</sup> Moreover, it came through the Navy rather than Lend-Lease. As Milton Miles put it, "Given an initial allocation of 150 tons per month, by early 1945 SACO planes were flying in several hundred tons of military supplies per month."<sup>150</sup> The Chinese supplied manpower and facilities, while arms and equipment would come from the United States.

In theory, SACO's function was to assist in strengthening the allied war effort and "to keep China actively belligerent, in order that it might contain as many Japanese troops as possible and that the Allies might retain access to China's air bases and more easily gain control of the left flank of the Pacific for the final attack on Japan."<sup>151</sup> Moreover, it was also SACO's task to make arrangements "for eventual utilization of Chinese ports", and "organizing a Chinese naval guerilla mine warfare unit, organizing a weather information network, and establishing a radio intelligence unit."<sup>152</sup> By V-J Day, SACO had trained more than 10,000 Chinese Commandos in its guerilla training center, "supplied weapons to Tai Li's 15,000 men Loyal patriotic Army ...", and also established a police training school to modernize U.S. Naval Units and Tai Li's

existing Secret Information Training Institute in Military Affairs". For training purposes, the United States provided China about 3000 former FBI agents, 50 police training personnel and police equipment like lie detectors and police dogs.<sup>153</sup> Although by the end of the war, more than five hundred specialists had graduated from this training program, Schaller believes that instead of being used against the Japanese, the newly gained training experience was largely used in containing and destroying the Communists. In this way, domestic tranquility would be ensured for the Chinese KMT Government after the war was over.<sup>154</sup> Toward the end of the war, SACO Americans under Milton Miles assisted the Nationalist Government in reoccupying cities and coastal territories in North China before they fell into Communist hands. At last, between January and March, 1945, Wedemeyer was able to bring SACO's activities under his control by controlling its supplies and also by abolishing its training centers which he believed were not related to the war effort.

The OSS was not satisfied with SACO's activities because it was predominantly a Chinese organization, and the OSS Americans served as "subordinate partners of General Tai Li's Chinese intelligence service."<sup>155</sup> During early 1943, the OSS Chief William J. Donovan, told FDR that SACO was "not a true external intelligence service, but is concerned almost entirely with internal political security."<sup>156</sup> Under Chinese control the Americans were not allowed to produce intelligence of their own. Under these circumstances, Donovan realized the need for an American intelligence service, entirely independent of the Chinese and other allies. Shortly

before Donovan's trip to China, in November, 1943, FDR consented to the formation of such an independent service. Consequently, the Air and Ground Forces Resources and Technical Staff, known as AGFRTS (and more popularly as "Agfighters") was established as a provisioned "unit approved by the Theater Commander, China-Burma-India, 26 April 1944 and assigned to the 14th Air Force."<sup>157</sup> Its primary purpose was to build upon and expand the intelligence facilities of the 14th Air Force. OSS assigned qualified officers and men and supplied special guards and equipment necessary "to perform particular missions where not available from other sources." Its headquarter was at Kweilin and its agents were sent to advanced war bases in the Chinese war against the Japanese to collect information. There existed a "weekly courier service between the various war areas and the Kweilin base."<sup>158</sup>

AGFRTS tried its best to impede the Japanese advance by obtaining strategic and tactical intelligence and carrying on other specialized operations. It established direct radio contact with friendly aircraft and guided them in dive-bombing and strafing missions which caused tremendous losses to Japanese forces and property. Moreover, AGFRTS agents provided intelligence about enemy ship movements in coastal waters, collected or stole secret Japanese documents, prepared studies on Japanese activities, "collaborated with Chinese guerillas to destroy enemy targets, systematically scorched the routes to help the Chinese, demolished and mined bridges and towers and, provided the "Chinese military their first demonstration of modern technique in the fields of intelligence and demolition." AGFRTS made a substantial contribution to the war

AGFRTS NETWORK IN CHINA

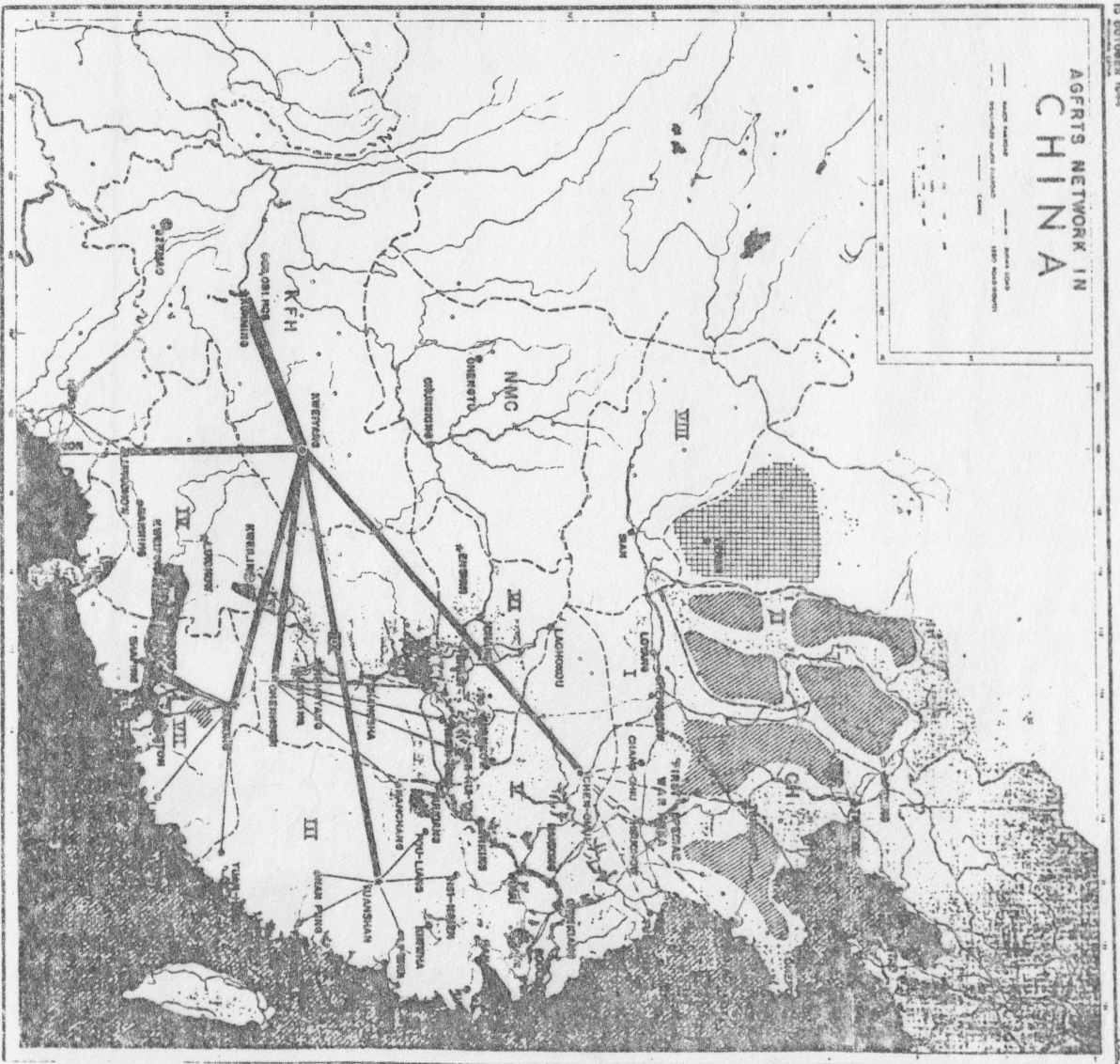
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By Authority of CIA

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By SR Date NOV 27 1973

- ▲ AIRBORNE LINES OF JAPANESE PENETRATION - 13 OCTOBER 1944
- COMMUNICATIONS FROM 8th NATL. AAF - FIELD HQ, ASPATS
- COMMUNICATIONS FROM FIELD HQ ASPATS - FIELD BASE
- COMMUNICATIONS FROM FIELD BASE TO AGENT
- CHINESE ARMY COMMUNICATIONS FROM FIELD BASE TO AGENT
- CHINESE WAR ZONES
- WAR ZONE HEADQUARTERS
- AREA HELD BY CHINESE COMMUNIST ARMY (EIGHTH ROUTE ARMY)
- AREAS OF SUBSILVA PENETRATION OF CHINESE COMMUNIST ARMY



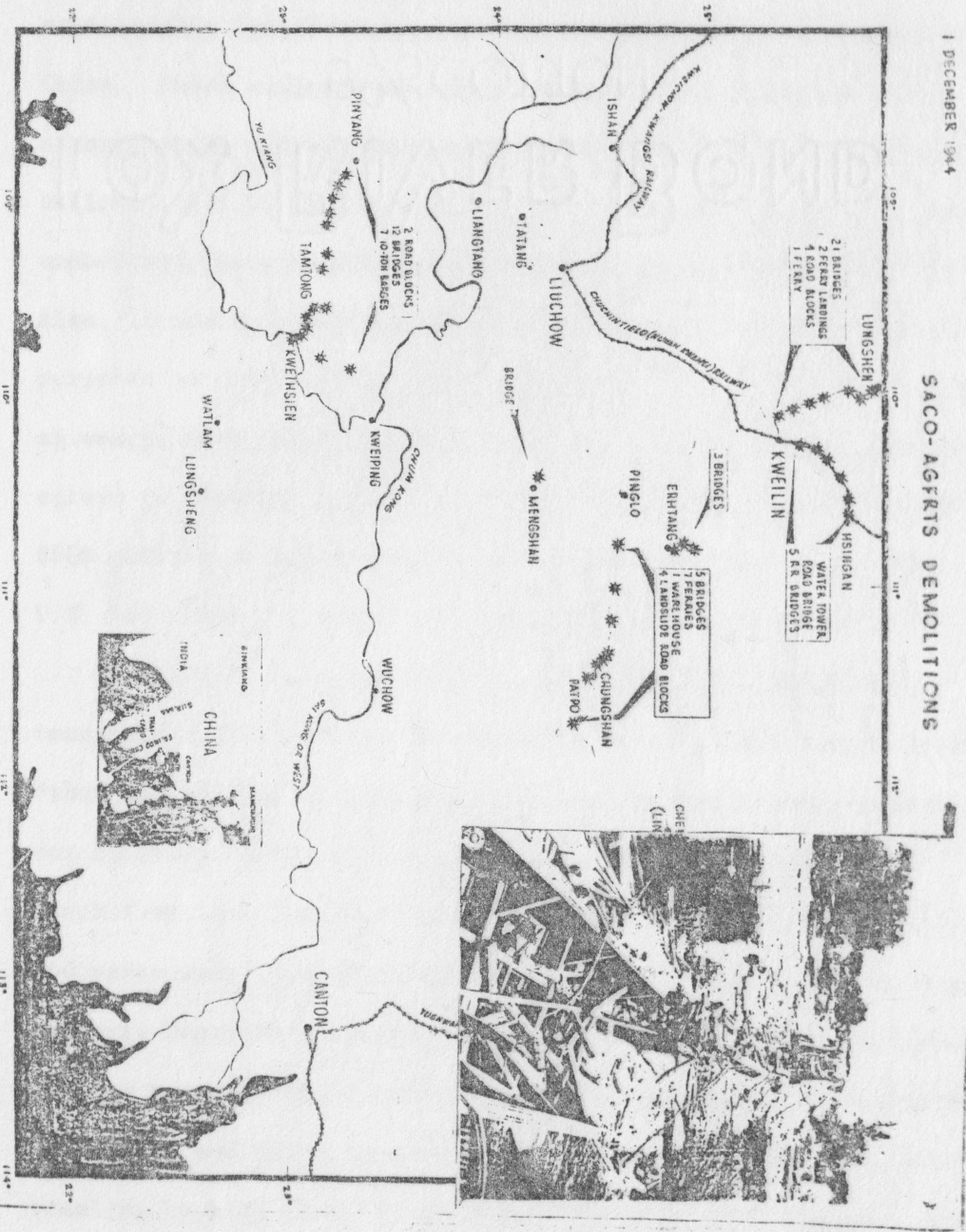
Source: PSF Subject File, Box 170, OSS, December 1944, FDR Library.



SACO - AGFRS DEMOLITIONS

1 DECEMBER 1944

SACO-AGFRS DEMOLITIONS

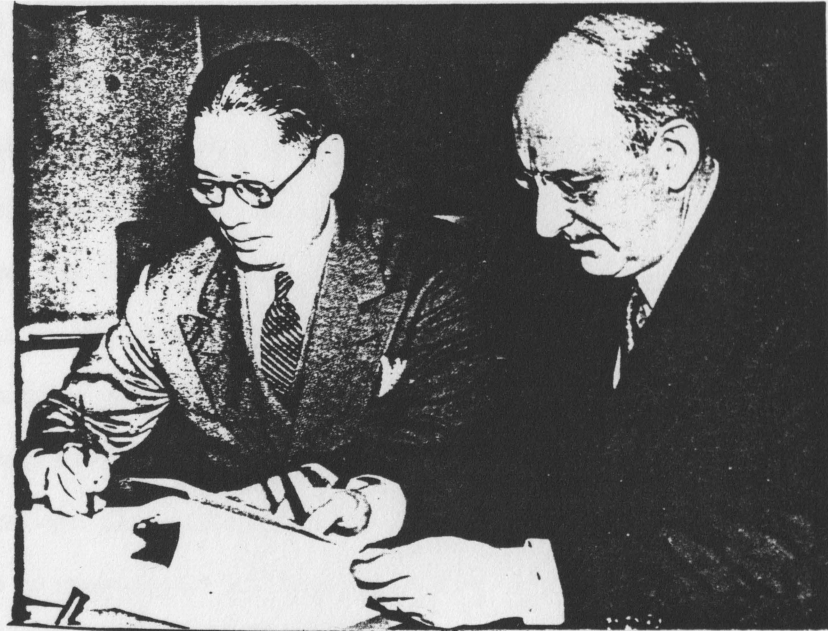


Source: PSF Subject File, Box 170, OSS December, 1944, FDR Library.

effort.<sup>159</sup>

US war policy in China had an economic component in that the US propped up the Chinese currency by keeping the dollar at an artificially low level compared to the Yuan and also shipped gold to China. These economic measures indirectly contributed to the strengthening of the Chinese war effort. The US Treasury Department believed that if the Chinese Government could sell gold it "would undoubtedly have beneficial effects in checking inflation."<sup>160</sup> Also, it would permit the Chinese Government" to raise funds for war purposes as a non-inflationary expedient."<sup>161</sup> Thereafter, under an agreement with China, on July 27, 1943, the U.S. Treasury Department agreed to provide China \$200 million in gold as part of the 1942 \$500 million currency stabilization loan. By the end of 1943, the U.S. had shipped a total of about 10 tons of gold to China.<sup>162</sup>

The initial outcome of gold sales were encouraging and temporarily strengthened Chinese currency as people began to believe "that the arrival of gold has increased the much needed reserve of our currency, thereby influencing the stability of prices."<sup>163</sup> In March 1944, the Chinese Central Bank took control of gold selling, and sales were over US \$2 million per month. But later on, the U.S. Treasury Department was very much disappointed, seeing that the gold selling program didn't help very much in improving the inflationary situation, and there were repeated charges of mishandling, and stealing by high Chinese officials. Moreover, the Treasury noted that gold was being sold "in such a way as to be of benefit principally, to hoarders and speculators" and in practice it had "no helpful effect on the inflationary situation."<sup>164</sup> Consequently,



T. V. Soong and Secretary Morgenthau  
sign the \$500,000,000 loan agreement,  
January 1942.  
*(U.S. Office of War Information)*

Source: Barbara W. Tuckman, Stilwell and the American  
Experience in China, 1911-1945.

from the late fall of 1944, the U.S. Treasury virtually stopped shipment of gold to China. Instead, the U.S. Treasury, suggested that the Chinese officials set up a Currency Stabilization Fund" of U.S. \$500 million.<sup>165</sup> However, after prolonged negotiations between Soong and Harry D. Whites, Assistant Secretary of the Treasury, and also at the request of Ambassador Patrick J. Hurley, Morgenthau found himself bound to resume the shipment of gold to China. Accordingly shipments began again on May 16, 1945 and continued even after the war was over. The KMT Government, collected a 40% sales tax when it sold gold and thus helped to cover its budget deficit.<sup>166</sup> Later on, in response to a Chinese request, a Special Committee consisting of Henry J. Morgenthau, Secretary of the Treasury; P. Patterson, Under Secretary of War; William Clayton, Assistant Secretary of State; and the Foreign Economic Administrator made arrangements for the shipment during the last six months of the war of \$189,224,000 of gold, 105-110 million yards of cotton textiles, and 15,000 trucks under the Anti-Inflation program. But the delivery of all these goods, however, was not possible before the war ended.<sup>167</sup>

Besides sending trucks and textiles, the United States, also agreed to continue an exchange rate of \$20 Chinese to \$1 US throughout the entire war period. With the increase of American military activities in China, like the construction of big-bomber airfields at Chengtu, Kweilin, and Yunan, barracks, and access roads, and the problem of feeding and housing the American forces, the United States needed a huge amount of Chinese currency in an agreed upon and national exchange rate. In order to help the

situation, China provided American forces in China, food and lodging, and also turned back to the U.S. "as a gift all the pursuits which remained of those they had bought" from the U.S., along with the gasoline preserved for the 14th Air Force in China, under the reverse Lend-Lease agreement, which was signed between the U.S. and China on June 2, 1942.<sup>168</sup> Although the Chinese contribution was significant, it was not enough to meet the huge U.S. war needs in China. In order to purchase construction material and to pay Chinese workers, the U.S. needed local currency, the Yuan. The fixed rate of exchange was very disadvantageous to the US, however, because of an 800 to 1000 percent inflation rate. In 1942 the rate was CS\$20 to US\$1. But Chinese currency soon lost its buying power due to the excessive printing of currency notes without having sufficient gold or silver reserve. When at the end of 1943, the cost of living in China was 8-10 times higher than the previous years, Chiang Kai-shek in a meeting with Ambassador Gauss declined to accept a revised rate of exchange between the two currencies.<sup>169</sup> Similarly, H. H. Kung and other Chinese officials repeatedly rejected all U.S. proposals to rearrange the rate of exchange on the ground that, "such a drastic revision of the exchange rate would result in an upward revision of internal prices and serious loss of confidence in the Yuan."<sup>170</sup> At last, "with a view of transporting gold to China for purchase of Chinese currency in the open market to control inflation and to secure a better exchange rate" the U.S. started sending gold to China. This action did not improve the situation, however, but it did raise a special tax for the KMT Government.<sup>171</sup>

The situation was further aggravated by FDR's promise to Chiang at the "Cairo Conference that the United States was prepared to bear the cost of its military effort in China". It is not understood that the question of exchange rates was considered in this conference. Subsequent to the Conference, as indicated in the report of Ambassador Gauss, January 16, 1944, the Generalissimo in a message to the president, "urged that a loan of \$1,000,000,000 U.S. be made to China, or that, otherwise, the United States assume full responsibility for its expenditures in China at 20 to 1 rate."<sup>172</sup> The U.S. War Department representatives in China (the U.S. Commander General in China and Edward C. Acheson) told the Chinese that the U.S. "was prepared to accept full responsibility for its military expenditures subject to the establishment of a reasonable exchange rate, which would have some relationship to the actual purchasing power of the Chinese dollar." Meanwhile, FDR rejected the request for a one billion dollar loan as unnecessary.<sup>173</sup> On January 15, 1944, Chiang Kai-shek again declined to reconsider a change in the exchange rate.

Although the War Department urged the U.S. military representatives to take a firm stand, FDR because of his post-war vision, did not like to displease Chiang, and on January 24, 1944, sent a conciliatory message to Chiang and suggested that Gauss and Stilwell work out a plan whereby American outlay would be around U.S. \$25 million per month.<sup>174</sup> This message led to the creation of a "defacto" plan, under which the U.S. paid US\$25 million in exchange of CS \$1 billion. It led to the finishing of the new airbases by June, 1944. China, however, had not agreed to a

realistic solution while the American representatives repeatedly demanded an exchange rate of US \$ 1 to CS \$100. China was not willing to go beyond US \$1 to CS \$60, and despite Clarence Gauss and Adler's repeated requests, FDR failed to take measures to compel the Chinese to come to a realistic solution.<sup>175</sup> Most probably, due to his post-war political vision of China. FDR failed to do that.

The settlement of the cost of U.S. military activities in China was made possible at the Bretton Woods Conference in New Hampshire on July 16, 1944 by an agreement signed by H. H. Kung and William Clay. Under this agreement both parties agreed to the sum of \$185 million, in addition to \$25 million paid in early 1944. But the cost of airfield construction continued to create problems, and finally, in November 1944, "China agreed to take U.S. \$185 million in full settlement to September 30, besides U.S. \$25 million already paid." In reality, this compromise came out as a rate of about 74-1 for the C \$15.5 billion for which U.S. \$210 million was paid, whereas the average free market rate for January-September was about 200-1.<sup>176</sup> The U.S. met China's outlay of about C\$103.3 billion against American surplus property in the summer of 1946. But, during the whole war period, the official exchange rate remained at 20-1.

During this critical war period, "the Chinese Government had been benefitted as a result of the unrealistic exchange rate....also for non-military areas." The FEA spent in China "from 1941 through June, 1944 approximately \$48,000,000 U.S. which at the official rate would purchase \$960,000,000 CN worth of merchandise (strategic materials like wood, oil, tungsten, and tin). At a realistic rate of

100 to 1, as a conservative average for the period, these purchases would have cost only \$9,600,000 U.S." It means the U.S. lost \$38,400,000 because of this unrealistic rate.<sup>177</sup> The American army had to pay high prices for goods and services. About the American attitude toward this unrealistic exchange rate, Arthur Young remarks, "American attitude has been determined mainly by immediate consideration and little by longer-range policy. Both the Treasury and War Departments were understandably sore at China's intransigence about the 20-1 rate of exchange. The State Department though too often pushed around or ignored during the war, did manage in this instance to prevent blunt action that could have led to a costly national break with China."<sup>178</sup> In a telegram to the Secretary of State, Ambassador Gauss, with available data, tried to show that although the Chinese KMT authorities were prone to believe that the costs of airfield construction and the maintenance of the American army in China was the biggest factor in determining the rate of inflation, in fact, it was not. Gauss informed the Secretary of State that the Americans were paying high prices for everything in China and they had no serious responsibility to curb the inflation in China.<sup>179</sup> The Department, however, in light of its immediate wartime considerations, rejected Gauss's proposals for improving the situation.

Although Stilwell had gone and been replaced by Wedemeyer at the end of 1944, this had no effect on the amount of Lend-Lease received by China. But control of Lend-Lease supplies and handling by the US Theater Commander in China decreased. Wedemeyer was deliberately anxious to get along with Chiang and dropped any notion



of aiding the Communists against Japan. Except for a small amount of medicine, he provided nothing to the Communists. Although he was directed by the Joint Chiefs of Staff to "continue to assist the Chinese air and ground forces in operation, training, and logistical support", and also "to control the allocation of Lend-Lease supplies delivered into China, without priorities set by the Joint Chiefs of Staff,"<sup>180</sup> he was instructed at the same time "not to do anything which the Generalissimo might oppose."<sup>181</sup> In this way, a consultation system concerning the use of military Lend-Lease in China gradually developed after the departure of Stilwell. With the passing of time and with the gradual introduction of big planes for China, "the hump tonnage mounted to a peak of 73,691 short tons in July 1945."<sup>182</sup> Meanwhile, the Assam-Bengal Railway, was improved, ferry services on the river Brahmaputra were established, and Myitkyina airfield was captured making possible a reduction in enemy interception. All these factors contributed to the dispatching of an increasing amount of military Lend-Lease assistance to China in the last months of the war. Added to that, the end of war in Europe in early May, 1945, greatly eased "pressure to furnish Lend-Lease to fight Germany."<sup>183</sup>

China received half of its 1945 pre-V-J- Day allocation of Lend-Lease after the Japanese surrender of September 2nd, 1945. The Chinese Government also continued requesting aid from the U.S. Government after Germany surrendered. In a letter to President Truman, the Chinese Finance Minister, H. H. Kung requested more assistance for China. He wrote, "The recent series of victory scored by our Chinese troops shows how much more can be expected of

us if America broadens the scope and releases the quantities of new aid to China. Such a policy will not only shorten the war for the Pacific but will also reduce the loss of American lives."<sup>184</sup>

Responding to this Chinese request, the administration increased the amount of supplies sent to China.

In 1945 the U.S. greatly increased Lend-Lease to China. The table below shows total Lend-Lease aid to all countries and to China by years (million):\*

Year	All Countries	China's Amount	Percentage of Total supplies
1941	US \$1,540	US \$ 26	1.7
1942	6,893	100	1.5
1943	12,011	49	0.4
1944	14,940	53	0.4
1945	13,713	1,107	8.0
1946	1,751	210	12.0
-----			
Totals	US \$50,847	US \$1,546	3.0

Note: Yearly figures don't add up to totals, because of rounding.<sup>185</sup>

Meanwhile, Wedemeyer did many things for the reorganization of the Chinese army. He realized that the Chinese armies needed "food even more than they needed guns."<sup>186</sup> Wedemeyer revived Stilwell's method of studying the food situation, and in December 1944, he complained that the combat efficiency of Chinese soldiers was being

impaired by the inadequate supply of rations. He requested supplies of concentrated food from the US, and the Munitions Assignments Committee (Ground) approved a policy to supplement rations of the Chinese army from the United States.<sup>187</sup> Very soon he was able to introduce the "Logan Ration" named after the director of the study. As a result, within a very short time, 185,000 men were regularly fed well and formed "a physically magnificent army."<sup>188</sup>

Although Wedemeyer was not able to cut the size of the Chinese army, as he hoped, he could concentrate on building 39 divisions of the Chinese army. In order to equip and train these soldiers on American models, Wedemeyer arranged "a plan for having American liaison officers attached as advisors to the Commanders of units, beginning at lower echelons, and several hundred Americans so served."<sup>189</sup> This program was further strengthened by the Munitions Assignments Committee's (Ground) decision to support through normal US supply channels those Chinese Army ground forces which operated under the command of US Army officers both in India and China.<sup>190</sup> By the summer of 1945 this program went into effect and almost "five hundred American officers and five hundred enlisted men were serving with the Chinese forces. Supplies for these soldiers came from Lend-Lease."<sup>191</sup> Meanwhile, Wedemeyer also reorganized the American Air Force by transferring the 10th Air Force from India to China and combining it with 14th Air Force, put them under the Command of Stratemyer. Chennault was relieved from command. A medical service was developed, and Wedemeyer got "the Generalissimo to create a joint Chinese-American staff, with frequent meetings."<sup>192</sup>

Before the Japanese surrender, "China had five divisions that

had been trained and equipped in India; eleven that had finished training in China; and twenty-two that were 50 to 75 percent through training. Each of these 38 divisions had about enough ordinance to be operable in combat". Still, it was not a perfect army and was "not enough to ready the army for its post-war task of filling the power vacuum left by Japan's surrender."<sup>193</sup> Aware of the weaknesses of the Chinese troops and of the imminent conflict with the Communists, Wedemeyer requested that Marshall realize "the explosive and portentous possibilities in China when Japan surrenders". Although the War Department, in its reply to Wedemeyer, allowed him to continue the program "to support the Central Government and reoccupation by moving Chinese troops", he was told that the U.S. "will not support the Central Government of China in fratricidal war." Consequently, a week after V-J day, the War Department suspended all American sponsored and supervised training programs in China. These training units were used to reoccupy the Japanese held areas. Moreover, two divisions of American soldiers were sent to China to help the KMT Government in disarming and demobilizing the Japanese soldiers.<sup>194</sup>

Although it had been the official policy of the United States to extend Lend-Lease aid to any faction which could make a real contribution against the axis aggression, the Chinese Communists were made a deliberate exception, even though potentially they could contribute to the war against Japan. Stilwell was the first to advocate the use of the Communist forces. In April, 1942, when he found no hope of getting an American Division to strengthen his hands in Burma, he urged the use of the Communist troops.<sup>195</sup> Again,

during the increasing Japanese pressure in the Yangtze valley in 1943, Stilwell developed a plan to use Communist troops and also "proposed that the Communists be given supplies from the stocks of arms and ammunition in the possession of the National Government". Chiang, however, rejected the proposal.<sup>196</sup> During Vice President Henry Wallace's visit to China in June, 1944, the US was able to secure permission of Chiang Kai-shek to send an army observer group to Yen-an, the Chinese Communist Capital. As a result, the Dixie Mission was sent under the leadership of Colonel David B. Barrett.<sup>197</sup> But the situation in East China deteriorated so much that the US proposed to Chiang Kai-shek that Stilwell take command of all Chinese forces. This proposal meant that Lend-Lease supplies would go to the Communist forces once they formed part of Stilwell's command. FDR explained to Chiang that "when the enemy is pressing toward possible disaster, it appears unsound to refuse the aid of anyone who kill the Japanese."<sup>198</sup> But Chiang opposed the idea of arming the Communists, who, he believed, were under the "influence of a foreign power."<sup>199</sup> The Communists on their part exploited the opportunity of a bad relationship between Stilwell and Chiang and tried to win US favor by repeatedly declaring their intentions to cooperate with America in its fight against Japan.

John Stuart Service, one member of the Dixie mission, during this time, also suggested the possibility of independent American cooperation with the CCP. Service's proposal was supported by members of the OSS team in Yen-an, who had developed a plan for the creation of "an American training program in Yen-an, teaching selected students communications, demolition, and espionage skills."

By the end of August, 1944, the OSS began a simple training program in the use of American explosives and small arms.<sup>200</sup>

Service continued to call for American political and military support for Yen-an. He saw American aid to Communists as the only way to avoid Civil war and to separate them from the Russians. Service's proposal was endorsed by the Treasury Department's agents in Chungking, Irving Friedman and Solomon Adler. But the most vigorous supporters of American aid to the Chinese Communists were Stilwell's political advisor John Davies, and Stilwell's aide, Colonel Frank Dorn. Davies developed a plan to land American forces in North China in cooperation with the Communists. Communist forces would be provided with American arms and enlisted under American command. Davies believed that it would ensure both political and military success.<sup>201</sup>

After Stilwell was recalled and Ambassador Gauss resigned, the new Ambassador Patrick J. Hurley and Commanding General Albert C. Wedemeyer were both opposed to the idea of arming the Communist soldiers. Hurley believed that an understanding with the Soviet Union would help pacify the Chinese Communists. His purpose was to bring the Communists under KMT control by peaceful negotiations. Moreover, he opposed any kind of independent aid program to the Communists without the approval of the National Government of China. Acting on this belief, Hurley rejected a plan approved by Wedemeyer to send 4000 to 5000 American paratroopers to Communist territory and also rejected a request from Chu Teh for a loan of "twenty million dollars to be sent to induce the defection of Chinese puppet troops from the Japanese sponsored Government at Nanking."<sup>202</sup> Although Hurley visited Yen-an in November 1944, he failed to effect

a compromise between the two parties. Despite Hurley's adamancy, the US Embassy officials, Dixie Mission members, and OSS officials continued their efforts to promote the possibility of a joint Communist-American military action. The Communists also redoubled their efforts to win American support, and repeatedly declared their willingness to co-operate against Japan and to join a broad coalition Government with the KMT to avoid a civil war. But Hurley convinced FDR that by tightening aid to the Communists, he would be able to compel them to surrender to the KMT. During this time, the OSS developed a clandestine operations program in Yen-an under which the OSS " would be prepared to 'carry out a disownable' military program with the Communists."<sup>203</sup> In the meanwhile, Mao declared that the "Communists would co-operate in joint operations and would willingly serve alongside or even under American forces". In this point Schaller remarks that "Mao's suggestion must have been influenced by the positive indications Yen-an continued to receive from the local OSS contingent."<sup>204</sup>

But other developments were taking place. The Chinese members of the American Naval Group secretly collected information about the projected clandestine operations with the Yen-an Communists and relayed it to Hurley. Enraged, Hurley promptly sent a cable to FDR and described the activities of disloyal Americans with Chou-En-Lai and Mao-tse-tung in Yen-an. FDR angrily fired McClure and Barrett and this began the first purge of America's "China hands."<sup>205</sup> Although Solomon Adler, Service, and OSS officials continued to advocate aid to the Communists, nothing came of their efforts. Hurley continued to support Chiang Kai-shek and assured FDR that a good settlement with the Russians in Yalta would ensure a pro-

American China under Chiang Kai-shek. Consequently, at the Yalta conference, FDR bought Russian assurance for the KMT regime in China by granting valuable concessions to the Soviets.<sup>206</sup> As Warren I. Cohen remarks, "while Roosevelt thus tried to strengthen the Nationalist position by depriving the Communists of the most lively source of aid....Hurley believed it essential to deny them any hope of American support while continuing to aid the Kuomintang Government. Thus isolated the Communists would be forced to come to terms."<sup>207</sup>

The Congress was also suspicious of the Communists. Congressman Walter Judd was a severe critic of the Communists and their American sympathizers. Judd saw the Communists as Soviet puppets who would "endanger the fundamental security interests of the United States." Like Judd, John Foster Dulles also issued a similar warning against desertion of KMT.<sup>208</sup>

By April, 1945, the Communists also adopted a hard line against the US and vigorously criticized US policy. After FDR's death when Anti-Communist advisors like Averall Harriman, Admiral Leahy, James Byrnes, Joseph Grew and Navy Secretary James Forrestal entered the Truman Administration there remained no hope for a reconciliation.<sup>209</sup> American military aid to Chiang was greatly increased and relations with the Communists deteriorated.

Before the Japanese surrender, the US granted \$ 1,546 million, approximately 3% of all Lend-Lease aid, to China. Exports under this program were in addition to maintenance and replacement items for both ground and air forces and these were shipped by the War Department to maintain stocks for the US Air Service command and services of supply in India and China. When any of these supplies



were delivered to the Chinese Air Force and Army, they were recorded as Lend-Lease aid.<sup>210</sup> Compared to that China's contribution in the War was very limited. It is true that under the reverse Lend-Lease system China contributed to the cause of War, and Stilwell's trained armies played a key role in occupying Myitykiyna and upper Burma, but most often China showed a negative attitude on the question of participation in the War. The main effect of Lend-Lease in China was that it helped China keep her morale high in the wartime. At the same time military Lend-Lease during wartime served as a model for long-term US military assistance to China.

In the final analysis, US military aid to China had limited benefits for the allies. With the exception of the invasion of Burma in 1944 and the construction of some B-29 bases which the Japanese eventually over ran, the military effects of US aid to China were very limited. The US received nowhere near the return on its investment in China that it did from US aid to Russia or France or Britain. The principal reasons for the low return on US Lend-Lease in China were the exceptional corruption of the Chinese Government and the practice of hoarding military supplies for the upcoming civil war with the Communists. In the final analysis, Chiang considered the CCP, not imperialist Japan, his long term enemy. As a result, Chiang preferred to let the decrepid Japanese empire fall apart under the hammer blows of the US Navy in the Pacific while he stood on the defensive preparing for the forthcoming civil war with Mao.

## Chapter One Footnotes

1. Foreign Economic Administration: "History of the Lend-lease; Chapter on China." Record Group-169 Office of Lend-Lease Administration). Box no. ND-170 Folder-China, Lend-Lease (including agreement). Entry 9. National Record Center, Suitland, Maryland, p.1. (Henceforth, to be mentioned as FEA: "History of the Lend-Lease").
2. Although the real story behind the "Mukden Incident" in 1931, remained obscure, evidence at the Tokyo War Crimes Trial in 1946 proved that a group of so-called "Young Officers" in the Japanese Kwantung Army manufactured the incident. For a study of the Mukden Incident, See Robert H. Ferrel, "The Mukden Incident, September, 18-19", Journal of Modern History, Vol: XXVI(1955): 66-72; Sadoko N. Ogata, Defiance in Manchuria (Berkeley: University of California Press, 1964), p. 53-74; "The Manchurian Outbreak", News Bulletin of the Foreign Policy Association (Volume X, No. 8, October 2, 1931); John Toland; The Rising Sun (New York: Bantam Books, 1971), p. 8-9, 39-40; Alvin D. Coox, "The Japanese Army Experience", in Russell Weigley, ed, New Dimensions in Military History (San Retail, California: President Press, 1975), p. 123-149; and Pritchard, R. John and Sonia Magbarra Zaide(eds); The Tokyo War Crimes Trial, Vol. I, pp. 6, 21 (New York: Garland Publishing, 1981).
3. Kenneth K. McCarty, Jr., "Stanley K. Hornbeck and the Manchurian Crisis," The Southern Quarterly, Vol: X, No. 4, July 1972:305.
4. A.T. Steele; The American People and China (New York: McGrew Hill Co.; 1966), p.17.
5. For a study of the rise and expansion of communism in China, and the formation and breakdown of the United Front, see Kenneth E. Shewmaker, Americans and Chinese Communists, 1927-1945: A Persuading Encounter (Ithaca: Cornell University Press, 1971), p. 11-86; Edgar Snow, Red Star over China (New York : Random House, 1938).
6. Michael Schaller, The U.S. Crusade in China, 1938-1945 (New York: Columbia University Press, 1979), p.6. (henceforth to be mentioned as U.S. Crusade).
7. Ibid., p. 7-8.
8. Henry L. Stimson: The Far Eastern Crisis: Recollection and Observations. (New York: Harper and Row, 1936), pp. 5-6.
9. Michael Schaller, U.S. Crusade, p. 5.
10. Thomas N. Guinsburg; The Pursuit of Isolationism in the United

States Senate from Versailles to Pearl Harbor (New York and London: Garland Publishing, 1982), p. 133-134. For a detailed study of the impact of isolationism in American Foreign policy, see Robert Ferrell, American Diplomacy in the Great Depression: Hoover-Stimson Foreign Policy 1929-1933 (New York: W.W. Norton, 1970); Robert A. Dhal, Congress and Foreign Policy (New York: Harcourt Brace, 1950); and Bernard Fensterwald: "The Anatomy of American Isolationism and Expansionism", Journal of Conflict Resolution, Volume II, Nos. 2 and 4: 1958: p. 111-139; 280-309.

11. The Kellogg-Briand or Anti-War Pact supposedly eliminated the possibility of war and the Nine-Power Treaty of 1922 guaranteed the territorial sovereignty of China by declaring that any of the powers would not take advantage of the internal situation in China for its own ends. Ta Jen Liu, A History of Sino-American Diplomatic Relations, 1840-1974 (Taipei: China Academy, 1978), pp. 170-190; 131-133.
12. United States, Senate, "Conditions in Manchuria", Senate Document, No. 55, 72nd Congress, 1st Session. January 1932. (Washington D.C.: Government Printing Office, 1932), pp. .
13. The Lytton Commission was formed by the League of Nations in 1931. Its Chairman was Earl of Lytton of Great Britain, and other members were Count Aldrovandi-Marescotti of Italy; General Henry Claudel of France; Major General Frank Ross McCoy of the United States; and, Dr. Heinrich Schnee of Germany. Walter Lippmann. ed, The United States in World Affairs: An Account of American Foreign Relations, 1932 (New York: Council of Foreign Relations, Harper and Row, 1933), p.193-199.
14. Hornbeck rejected the idea of using military force to maintain the Open Door. It reflected his attachment to the principles of non-intervention and international adjudication. but he urged the building of a strong navy station in the Pacific and from 1938-41, he repeatedly made his demands. Hornbeck was in favor of maintaining equal commercial opportunities for all nations in China granted by treaty obligations. He believed that the mere application of words would not work with Japan, she should experience some kind of harsh treatment. Hornbeck, however, like Nelson T. Johnson, was opposed to giving any kind of aid to China against Japan. See, Justus D. Doenecke, The Diplomacy of Frustration: the Manchurian Crisis of 1931-1933 as Revealed in the Papers of Stanley K. Hornbeck (Stanford: Hoover Institution Press, 1981), p.23-29; see also, Richard Dean Burns, "Stanley K. Hornbeck: The Diplomacy of the Open Door", in Diplomats in Crisis: United States-Chinese Relations 1919-1941, Richard Dean Burns and Edward M. Bennett, ed. (Santa Barbara, California: ABC-Clio, 1974), p. 91-117; Kenneth J. McCarty, "Stanley K. Hornbeck and the Manchurian Crisis," Southern Quarterly, Vol. 10, No. 4, July 1972 :305- 24; and, Justus D. Doenecke; "American Public Opinion and the Manchurian Crisis, 1931-1933." (Ph.D diss., Princeton University, 1966),

p.257-258.

15. New York Times, January 8, 1932; and, U.S. State Department Bulletin, "Conditions in Manchuria" in Foreign Relations of the United States-Japan, 1931-1941 Vol: I (Washington D.C. : Government Printing Office, 1943), p.74. (Hereafter cited as FRUS). For a detailed background of the Stimson Doctrine see Elting Morison, Turmoil and Tradition (New York: Houghton Mifflin, 1960), pp. 368-403.
16. Thomas A. Bailey; A Diplomatic History of the American People, Eighth Edition (New York: Appleton Century Crofts, 1969), p. 696.
17. Armin Rappaport; Henry L. Stimson and Japan, 1931-1933 (Chicago: The University of Chicago Press, 1963), p.100.
18. Walter Lippmann, The United States in World Affairs, p.197.
19. "Suppressing the Boycott at Shanghai," Foreign Policy Bulletin, (Vol: XI, No.13, January 29, 1932); "Japan Stand in Shanghai", Ibid, Vol: XI, No.14, Feb 5, 1932; and "The Critical Situation in Shanghai", Ibid, Vol: XI, No. 15, February 12, 1932).
20. While Stimson wanted to frighten the Japanese with a display of U.S. marines in Shanghai, Hornbeck, on the other hand, suggested an expansion of the U.S. naval power in the Pacific to protect its interests in the Far East and in the Philippines. These ideas, however, did not get much support from Hoover, who was much influenced by Allen T. Klotts, another advisor in the Far Eastern Division. For details see; Richard Dean Burns; "Stanley K. Hornbeck: The Diplomacy of the Open Door, in Richard Dean Burns, edited, Diplomats in Crisis, p. 105-107.
21. The League Council did not protest Japanese aggression until the memorandum of the twelve neutral members of February 16. Officials Journal (March, 1932), p. 383.
22. Justus D. Doenecke, The Diplomacy of Frustration, p. 35.
23. Christopher Throne, The Limits of Foreign Policy: The West, The League and the Far Eastern Crisis of 1931-1933 (London: Hamish Hamilton, 1972), p. 301.
24. Justus D. Doenecke, The Diplomacy of Frustration, p. 12.
25. On May 31, 1931, the Manchurian incident was ended by a truce signed between the Japanese army and local commanders of Tangku. By the Treaty of Tangku, the borders of Manchukuo were extended to the Great Wall. The Kwangtung Army controlled Shanhaikan pass, and a demilitarized zone was established east and north of Peking-Yientsin district. Dorothy Borg, The United States and the Far Eastern Crisis (Cambridge, Massachusetts:

Harvard University Press, 1964), p. 36.

26. Warren I. Cohen, America's Response to China-An Interpretative History of Sino-American Relations (New York: John Wiley and Sons, 1971), p. 135.
27. Robert Dallek, Franklin D. Roosevelt and American Foreign Policy 1932-1945 (New York: Oxford University Press, 1979), pp. 29-30.
28. Michael Schaller, U.S. Crusade, p. 6.
29. Dorothy Borg, The U.S. and the Far Eastern Crisis, p. 46.
30. H.L. Stimson, The Far Eastern Crisis: Recollections and Observations, p. 282.
31. Dr. Sun Yat Sen proposed a gigantic multi-national project in which a great number of industrialized powers should pool their efforts for the purpose of the international development of China. Goltfried-Karl Kindermann, ed. Sun Yat Sen: Founder and Symbol of China's Revolutionary Nation-Building. (Wien Gunter Olzog Verlag Munchen, 1982), p. 92-93; see also, Sun Yat Sen, The International Development of China (New York and London: G.P. Putnam's Sons, The Knickerbocker Press, 1922), pp. 3-237.
32. After 1928, the Nationalist government adopted Sun Yat Sen's idea that Western collaboration was essential for China's reconstruction as an integral part of the Kuomintang's policy. From the beginning the Chinese Nationalist government was trying to get the co-operation of the League for the economic and technological reconstruction of China. In order to make the co-operation an effective one, the Nanking government invited League experts like Dr. Ludwig Rajchman, the Director of the Health Section of the League, Sir Arthur Salter, the Director of Economic and Financial Section, and, Robert Haas, the Director of the Communication and Transit Section. After the fruitful visit of these League's experts to China, the Chinese government created the National Economic Council in the Spring of 1931 for the coordination and formation of economic plans and to appeal to the League "for assistance to be handled partly through the Council and partly through other agencies of the Chinese government". Dorothy Borg, p. 56.
33. For details about the League's co-operation in Chinese development, see *Ibid.*, pp. 57-92.
34. T.V. Soong is an important figure in the history of modern U.S.-China relations. He was the brother-in-law of Chiang Kai-Shek and had held many positions in the generalissimo's KMT government in China. He had a wonderful ability to manipulate the U.S. government to aid China. Later on, Soong became the

personal representative of Chiang Kai Shek to the U.S. and while staying in Washington for a long time he created the China Development Society which later on came to be known as the 'China Lobby' in American politics. Steiling Seagrave, The Soong Dynasty (New York: Harper and Row, 1985), p. 99, 190, 236, 317, 9, 364-369, 323- 27, 424-25, 406-416.

35. The origins of the first China Consortium are discussed in great detail in Charles Vevier; The United States and China, 1906-1913: A study in Finance and Diplomacy (New Brunswick, N.J.: 1955), pp. 3-213. Also for a detailed study of the reorganization of the China Consortium in the late 1920's, see Frederick F. Field, American Participation in the China Consortium (Chicago: The American Council, Institute of Pacific Relations by the University of Chicago Press, 1931).
36. From the Chinese Ambassador in the Soviet Union (Yen), Temporarily in London, to the Secretary State, London, July 14, 1933. FRUS, 1933, Vol III, p. 495. Jean Monnet was a leading French banker who later on became one of the architects of economic development in Europe. Soong desired to have him as the Chairman of the Committee. Thomas W. Lamont of J.P. Morgan and Company was the head of the American group of the old Consortium for China, and Sir Charles Addis of the Hong Kong and Shanghai Banking Corporation was head of the British group in the Consortium. The function of the Consortium Committee would be to advise the Chinese government as to the best methods and programs to follow. FRUS, 1933, Vol. III, p.496-497.
37. Memorandum by Hornbeck of a conversation with the Counselor of Japanese Embassy (Yaketomi), August 25, 1933. Ibid; p. 512-514.
38. In the face of Japanese opposition Lamont declined to join the Consultative Committee, while Sir Charles Addis could not join it at the request of the British Foreign Office, which did not want further trouble with Japan. Meanwhile, Japanese Ambassador Yoshiko Yaketomi met both Secretary of State Cordell Hull and Hornbeck, and opposed any kind of Foreign aid to China including the F.F.C. credit. Memorandum by Hornbeck of a conversation with the Counselor of the Japanese Embassy (Yaketomi). July 25, 1933. FRUS, 1933 vol: III, p. 502-505; Memorandum by the Secretary of State, Ibid, p.508.
39. For details about South China KMT faction's and Japanese opposition to the R.F.C. Credit the Far Eastern Division's memoranda which worked as a warning for FDR and Secretary Hull over aid to China see Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, pp. 68-71.
40. Americans held the following obligations to the Chinese government or its institutions; 1. one-fourth of the HuKuang Loan of 1911; 2. Chicago Bank loan (negotiated in 1916 but not

- extended until 1919); 3. Pacific Development loan of 1909; 4. Grand Canal Conservancy loan 1918-1921; 5. Certain miscellaneous loans. C.F. Remer, Foreign Investment in China (New York: The MacMillan Company, 1933), p. 295-301.
41. Dorothy Borg, ed., The U.S. and the Far Eastern Crisis, p.73. For Dr. T.V. Soong's statement on this, China Weekly Review, March 31, 1934, p.169.
  42. From Willys Peck to the Secretary of State. Nov 14, 1933. FRUS, 1933, Vol. III, p 455-456.
  43. For details of the role of the U.S. Department of Commerce, ee, Lloyd Gardner, "The Role of the Commerce and Treasury Departments," in Dorothy Borg and Shumpei Okamoto edited, Pearl Harbor as History, p. 261-286. In fact the Commerce Department was always anxious about losing the potential Chinese market in the face of Japanese aggression, and was also irritated by the cautious and non-intervention policy pursued by the State Department.
  44. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 74. For a detailed description of the circumstances leading up to the statement of Eiji Amau, and of the American reaction, see, Ibid., p. 49-96. For a copy of the statement by Eiji Amau, see Joseph Gwew to Hull, April 20, 1934, FRUS: Japan 1931-1941 Vol. I. (Washington D.C.: Government Printing Office,1943), p. 223-225, and Saito to Phillips, including two enclosures, April 25, 1934, Ibid, p. 228-30.
  45. From Gauss to Cordell Hull. April 27, 1934. FRUS, 1934, Vol. III, p. 143.
  46. For details of the aide-memoire, FRUS, Japan, 1931-1941, Vol. I, p. 231.
  47. State Department Decimal Files 711.93/324, as cited in Dorothy Borg, p. 81.)
  48. Memorandum by Hornbeck, May 18, 1934, FRUS, 1934P5, Vol. III, p. 384.
  49. Robert Dallek: Franklin D. Roosevelt and American Foreign Policy, p. 93.
  50. About Henry Morgenthau and the silver policy, see, Dorothy Borg, The U.S. and the Far Eastern Crisis, pp. 121-137. Henry Morgenthau Jr, Secretary of the Treasury Department played an important role in the history of U.S. economic assistance to China. For a brief account of Morgenthau's early career and policy see, Robert Dallek, p.78-79; and, Lloyd Gardner, "The Role of Commerce and Treasury Departments," in Dorothy Borg and Shumpei Okamoto, ed, Pearl Harbor as History, p.264.; John

Morton Blum, ed. From the Morgenthau Diaries, 3 volumes, Years of Crisis, 1928-1938, (Boston: Houghton Mifflin, 1959) Years of Urgency, 1938-1941, (Boston: Houghton Mifflin, 1965) Years of War, 1941-1945, (Boston: Houghton Mifflin, 1967).

51. Michael Schaller, U.S. Crusade, p. 24.
52. Lloyd Gardner, "The Role of The Treasury and Commerce Departments", p. 264.
53. Henry Morgenthau Jr., "Diary." April 15, July 18 and 21; and October 29, 1935. Franklin D. Roosevelt Library, Hyde Park, New York.
54. Henry Morgenthau, Jr, "Diary." August 14, 1935. FDR Library. Lloyd Gardner, "The Role of The Treasury and Commerce Departments", p. 264.
55. Dorothy Borg and Shumpei Okamoto, ed. Pearl Harbor as History, p. 269.
56. Hornbeck to Hull, May 18, 1934; Hornbeck to Herbert Feis, May 19, 1934, (Quoted in *ibid.*, p. 39).
57. Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, p. 93.
58. Dorothy Borg: The U.S. and the Far Eastern Crisis, p. 122.
59. From T.V. Soong to Bullitt, January 31, 1935, FRUS, 1935, Vol. III, pp. 532-33; Willys Peck to Cordell Hull, February 2, 1935, *Ibid*, pp. 37-38.
60. From Alfred Sze to the Secretary of State Cordell Hull, February 5, 1935. FRUS, 1935, Vol. III, pp. 533-34.
61. In 1935 about 173 million ounces of silver were smuggled out of China. For details see Dorothy Borg, p.122-135; and Whitney H. Shepardson, et.al., ed. The United States in World Affairs, 1934-36 New York: Council on Foreign Relations, Harper and Row, 1938), p.41-45; *Ibid.*, 1936, pp. 77-79.
62. E.O. Clubb, Twentieth Century China Third Edition, (New York: Columbia University Press, 1978), p. 203; FRUS 1936, Vol. IV, p. 89; and New York Times "China Yields Again", June 30, 1935, Section IV, p. 2.
63. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 132.
64. Telegram from Cordell Hull to Nelson T. Johnson in China, November 13, 1935. FRUS, 1935, Vol. III, p. 641-42.
65. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 135.



66. Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, p. 94.
67. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 136-137.
68. Frederick C. Adams: The Export-Import Bank and American Foreign Policy, 1934-1939 (Columbia, Missouri: University of Missouri Press, 1976), p. 167. See also, Borg, 176-188.
69. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 194.
70. Frederick C. Adams, The Export-Import Bank, p. 168.
71. Arthur Young; China and the Helping Hand, 1937-1945 (Cambridge Massachusetts: Harvard University Press, 1963), pp. 3-11, 67-74, 131-137; Arthur Young, China's Wartime finance and Inflation, 1937-1945 (Cambridge, Massachusetts: Harvard University Press, 1965), p. 3-8; John K. Fairbank, The United States and China, Fourth Edition, (Cambridge, Massachusetts and London: Harvard University Press, 1983), p. 223, 228-229; and Albert Fuerwerker, "The Chinese Economy, 1912-1949," Michigan Papers in Chinese Studies (Ann Arbor: Center for Chinese Studies, University of Michigan Press, 1968), p. 51- 2.
72. Telegram from Nelson T. Johnson to Cordell Hull, April 16, 1937. FRUS, 1937, Vol. IV, pp. 581-582.
73. Frederick C. Adams, The Export-Import Bank, p. 170.
74. *Ibid.*, pp. 169-174.
75. *Ibid.*, p. 171.
76. Hull to Johnson March 7, 1936. FRUS, 1936, Vol. IV, p. 579; Hull to Clarence Gauss, April 22, 1936. *Ibid.*, pp. 590-91; Memorandum by Hornbeck, April 1, 1936, *ibid.*, p. 583-584; Hull to Johnson, April 28, 1937, FRUS, 1937, Vol. IV, pp. 762-73. The United States was more concerned about the Kuomintang policy toward private investment than were European countries.
77. About the repayment of the three loans see H.H. Kung to Nelson Johnson, March 31, 1937; FRUS, 1937, Vol. IV, p. 670; Johnson to Hull, May 17, and 21, 1937, *ibid.*, p. 673; Memorandum by Hornbeck, March 11, 1937, *ibid.*, pp. 665-66.
78. W. Cameron Forbes' family was associated with the old famous rading house of Russell and company, and had played an important role in the American-China trade of the 19th century. Probably the best work on Forbes' mission to China is Shirley Godley: "W. Cameron Forbes and the American mission to China (1935)", Papers on China, 1960, Vol. 14, East Asian Center,

Harvard University and, Gary Ross; "W. Cameron Forbes- he Diplomacy of a Darwinist" in Richard Dean Burns and Edward M. Bennett, editors, Diplomats in Crisis: United States- Chinese Japanese Relations, 1919-1941, pp. 49-64.

79. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, p. 261.
80. Frederick C. Adams, The Export-Import Bank, p. 175.
81. Ibid., p. 176.
82. Johnson to Hull, May 7, 1937, FRUS, 1937, Vol. IV, pp. 592-595.
83. Telegram from Johnson to Cordell Hull, April 26, 1937, Ibid., pp. 584-85; Gauss to Cordell Hull, May 1, 1937, Ibid., pp. 585-86.
84. Frederick C. Adams, The Export-Import Bank, p. 181.
85. Ibid., p. 183, Frederick Adams lists the major companies to whom the Commerce Department sent this report, p. 183.
86. New York Times, June 27, 1937, Section 2, pp. 1-2.
87. Henry Morgenthau Jr. "Diary," Book 75, pp. 46-48; Book 72, pp. 171-72. Memorandum by Feis, July 8, 1937, FRUS, 1937, Vol. IV, pp. 610-11; and press release by Department of Treasury, July 9, 1937, ibid., pp. 611-12.
88. Frederick C. Adams, The Import-Export Bank, p. 187.
89. For details of the Marco-Polo Bridge incident July 7-8, 1937, and initial Japanese expansion, see FRUS, Japan, 1931-1941, Vol. 1, pp. 313-322; New York Times, July 8, 1937, 1,15; F. C. Jones, Japan's New Order in East Asia, 1937-1945 (London: Oxford University Press, 1954).
90. W. I. Cohen, America's Response to China, p. 143.
91. The British Embassy to the Department of State, July 13, 1937, FRUS, 1937, Vol. 3, pp. 158-159.
92. The Department of State to the British Embassy, July 13, 1937. Ibid., pp. 159-160.
93. Memoranda of statement by Cordell Hull, July 16, 1937, FRUS, 1937, Vol. 1, pp. 697-701.
94. Henry L. Stinson to Hull, August 30, 1937, Hull Papers, Container 41, Folder no. 100, Library of Congress, Washington D.C.
95. Memorandum by Hornbeck, July 19, 1937, Hornbeck Papers (as

- cited in Kenneth McCathy Jr.; Stanley K. Hornbeck & the Far East, p. 91).
96. Memorandum by Hornbeck on political relations, August 20, 1937, FRUS, 1937, Vol. 4, pp. 3-5.
  97. Dorothy Borg, ed. The U.S. and the Far Eastern Crisis, pp. 319-321.
  98. New York Times, September 6, 1937, p. 3.
  99. Robert A. Divine, The Illusion of Neutrality (Chicago: University of Chicago Press, 1962), pp. 193-194.
  100. Press release by the State Department, September 14, 1937, in The Department of State Press Releases, Vol. X vll: no. 416, Saturday Sept. 18, 1937. U.S. Gov. Printing Press, 1937.
  101. Michael Schaller, The U.S. Crusade, p. 16.
  102. Blum, From the Morgenthau Diaries, Vol. 1, pp. 483-484.
  103. Roosevelt Address at Chicago, Oct. 5, 1937. Department of State: Peace and War, U.S. Foreign Policy, 1931-1941 (Washington D.C.: Government Printing Office, 1943-1951), pp. 383-387. For the importance of the quarantine speech episode see, Dorothy Borg, ed. The United States and the Far Eastern Crisis, pp. 369-398.
  104. New York Times, January 29, 1938, pp. 1, 4.
  105. Michael Schaller, U.S. Crusade, p. 17. For details of Japanese terrorism in China see H. J. Temperley, ed., Japanese Terror in China (New York: Modern Age Books, Inc. 1938).
  106. Michael Schaller, U.S. Crusade, p. 17.
  107. Johnson to Hull, December 18, 1937, Dept. of State Decimal File, China, 893.00/14192.
  108. Kenneth J. McCarty Jr., Stanley K. Hornbeck and the Far East, p. 157.
  109. The Nation, Vol. CXLU, May 7, 1938: 522-523.
  110. Eliot Jameway, "Japan's Partner: Japanese Dependence upon the United States", Harper's Magazine, Vol. CLXNI (June, 1938): 1-8.
    2. Eliot Jameway, "Japan's New Need: American Steel, Machines and Oil," Asia, Vol. XXXVIII (June, 1938), pp. 338-340.
  111. Eliot Jameway, "Japan's Partner: Japanese Dependence upon the U.S.": p. 3.

112. Donald J. Friedman, The Road From Isolation: The Campaign of the American Committee for Non-Participation in Japanese Aggression, 1938-1941 (Cambridge: Harvard University Press, 1968), pp. 1-5.
113. John W. Masland, "Missionary Influence upon American Far Eastern Policy", The Pacific Historical Review, Vol. X, September 1941: 293-294. For details of the activities of the Price Committee, see, Ibid, pp. 293-295.
114. Ibid., p. 295.
115. Irvine H. Anderson, Jr., The Standard-Vacuum Oil Company and U.S. East Asian Policy, 1933-1941, p. 115.
116. Peter C. Hoffer, "American Businessmen and Japan Trade, 1931-1941: A Case Study of Attitude Formation", The Pacific Historical Review, Vol. 41, No. 2, May 1972: 191.
117. John W. Masland, "Missionary Influence upon American Far Eastern Policy," p. 290. For details about oppression of the Japanese missionaries see, Sandra C. Taylor, "The Ineffectual Voice: Japan Missionaries and American Foreign Policy, 1870-1941," Pacific Historical Review, Vol. 53, no.2, May 1984: 32.
118. Kenneth McCarty, Jr., "Stanley K. Hornbeck and the Far East," pp. 160-165.
119. Harry E. Yarnell to Admiral Leahy, March 25; August 30, 1937, Yarnell Papers, as cited in Michael Schaller's U.S. Crusade, p. ; also, FDR to Leahy, PSF, Box 79, Navy Department, "Oct 1936-1937."
120. Arthur Young; China and the Helping Hand, pp. 18-22.
121. Ibid., p. 62.
122. Memorandum of Conversation by Stanley K. Hornbeck, FRUS, 1938, Vol. III, pp. 528-530.
123. Kenneth McCarty, Jr., Stanley K. Hornbeck and the Far East, p. 167.
124. Ibid., p. 167.
125. Memorandum by Hornbeck of a Conversation with the President of the Export-Import Bank. July 15, 1938. FRUS, 1938, Vol. III, pp. 538-540.
126. Memorandum of Conversation by the Secretary of State, August 3, 1938, FRUS, 1938. Vol. III, pp. 542-543.

127. Hull to Joseph Kennedy, July 13, 1938, Ibid., p. 536;  
Memorandum of a Conversation by Hornbeck, July 15, 1938, Ibid.,  
p. 538.
128. Kenneth McCarty, Jr., Stanley K. Hornbeck and the Far East, p.  
168.
129. William C. Bullit to FDR, August 8, 1938, Ibid, pp. 544-545.
130. Roosevelt to Roswell Magill, August 16, 1938. Franklin D.  
Roosevelt Papers (FDR Library, Hyde Park, New York); Blum,  
From the Morgenthau Diaries, Vol. 1, p. 508.
131. Memoranda by Hull, August 11 and September 15, 1938, FRUS, 1938,  
Vol. 3, pp. 546, 559.
132. Blum, From the Morgenthau Diaries, Vol. I, pp. 508-509, Vol.  
II, p. 58.
133. From William C. Bullit to FDR, August 8, 1938, FRUS, 1938, vol.  
III, pp. 544-545.
134. Frederick C. Adams, The Export-Import Bank, p. 236.
135. Morgenthau Diaries, Book 142, p. 176, Henry Morgenthau Jr.  
Papers (FDR Library, Hyde Park, New York). For a detailed  
background of K. P. Chen's mission see Arthur Young, China and  
the Helping Hand, pp. 77-79.
136. Arthur Young, China and the Helping Hands, p. 81.
137. Michael Schaller, U.S. Crusade, p. 25.
138. Memorandum by Hamilton, Nov. 13, 1938; and Memorandum by Hull,  
Nov. 14, 1938; FRUS, 1938, Vol. III, pp. 569-572; 574-575.
139. Memorandum by Hornbeck, Ibid., pp. 572-574.
140. Michael Schaller, U.S. Crusade, pp. 26-27.
141. Frederick C. Adams, Export-Import Bank, p. 237.
142. Statement by Japanese Government and radio speech by Prince  
Konoye, November 3, 1938; FRUS, Japan, 1931-1941 Vol. I, p.  
477-81.
143. For the texts of the American notes to Japan of October 6 and  
December 30, 1938, see Ibid, pp. 785 and 820.
144. Frederick C. Adams, The Export-Import Bank, p. 243.
145. Johnson to Hull, November 16, 1938. FRUS, 1938, Vol. III, p.  
377.

146. Morgenthau Diaries, Book 153, pp. 300-302, Morgenthau Papers, (FDR Library, Hyde Park, N.Y.) 147. Ibid., pp. 366-67.
148. Ibid., October 4, 1939, Book 215, p. 283.
149. Blum, Morgenthau Diaries, pp. 508-513, 519, and 527.
150. Telegram from Corder Hull to Sumner Welles. December 4, 1938, FRUS, 1938, Vol. III, p. 577.
151. Telegram from Sumner Welles to Joseph Grew, Washington, December 15, 1938. Ibid., pp. 586-87.
152. Press release by Treasury Department: December 19, 1938. Ibid., p. 588.
153. Frederick C. Adams, The Export-Import Bank, p. 246.
154. Memorandum by Francis Bowers Sayre for Hull, Dec 5, 1938. FRUS, 1938, Vol. III, pp. 406-409; Hornbeck to Sayre, December 22, 1938. Ibid., pp. 425-27.
155. For the Ambassador's reaction see Harold Ickes, Secret Diary of Harold Ickes, Vol. II, p. 563.
156. K. C. Li to Kung, December 23, 1938. The Young Papers, as cited in Michael Schaller, The U.S. Crusade, p. 29.
157. Memorandum of conversation by Hornbeck, January 13, 1939, FRUS, 1939, Vol. III, pp. 482-83; Hornbeck's memorandum, January 25, 1939. Ibid., p. 489.
158. John Carter Vincent to Hornbeck, January 20, 1939. Ibid., pp. 483-485.
159. Nelson Johnson to FDR, February 27, 1939. Ibid., pp. 512-514.
160. From White House Morgenthau, November 22, 1939, Senate Committee on the Judiciary, Morgenthau Diaries, Vol. I, pp. 53-55.
161. White to Morgenthau, May 10, 1939. Ibid., pp. 7-13.
162. Michael Schaller, U.S. Crusade, p. 32.
163. Memorandum of Morgenthau-Chen Conversation, October 4, 1939, Senate Committee on the Judiciary, Morgenthau Diaries, Vol. I, pp. 17-22; Memorandum of Group meeting at the Treasury Department, January 10, 1940. Ibid., p. 76.
164. The Export-Import Bank could loan to any country at best \$30 million. Arthur Young, China and the Helping Hand, p. 132.

165. For details about Wang Ching-Wei's puppet regime see John Hunter Boyle, China and Japan at War, 1937-1945: The Politics of Collaboration (Stanford, California: Stanford University Press, 1972).
166. Michael Schaller, U.S. Crusade, p. 32.
167. Kenneth McCarthy, Jr., Stanley K. Hornbeck and the Far East, p. 212.
168. New York Times, March 8, 1940, p. 5; Blum, Morgenthau Diaries, Vol. II, p. 125; Arthur Young, China and the Helping Hand, p. 132.
169. Arthur Young, China and the Helping Hand, p. 133.
170. Michael Schaller, U.S. Crusade, p. 34.
171. Chiang Kai-shek to FDR, May 17, 1940, Morgenthau Diaries, Vol. I, 1973; Memorandum by Morgenthau to FDR, July 1, 1940, *ibid.*, Memorandum of conversation with the Russian Ambassador, October 1, 1940, *ibid.*, pp. 225 and 231.
172. Blum, Morgenthau Diaries, 1938-1941, Michael Schaller, U.S. Crusade, p. 35.
173. Coordinator of Information, Far Eastern Section, "American Aid to China," undated, MEMO B.R. 7, File: 400-3205, Folder - Lend-Lease Aid to China, National Archives and Record Administration (NARA), Suitland, Maryland, pp. 7-8. (Henceforth to be mentioned as Coordinator of Information; American Aid to China.
174. Telegram from Johnson to Hull, October 24, 1940, FRUS, 1940, Vol. IV, pp. 429-430.
175. Telegram from Johnson to Hull, November 21, 1940. FRUS, 1940, Vol. IV, pp. 439-441.
176. Transcript of Treasury Group Meeting, November 29, 1940, Morgenthau Diary(China), Vol. I, pp. 243-50.
177. Morgenthau-Welles Discussion, November 30, 1940. *Ibid.*, pp. 277-87.
178. Michael Schaller, U.S. Crusade, p. 37.
179. "American aid to China," p. 8.
180. Michael Schaller, U.S. Crusade, p. 8.
181. Michael Schaller, U.S. Crusade, p. 38.

182. Thomas A. Bailey, A Diplomatic History of the American People, p. 721.
183. Ibid., p. 721.
184. Roosevelt to Grew, January 21, 1941. FRUS, 1941, Vol. IV, p. 6.
185. Michael Schaller, U.S. Crusade, p. 46; Thomas A. Bailey, A Diplomatic History of the American People, pp. 711-725.



## Chapter Two Footnotes

1. The phrase " Arsenal of Democracy" which was used before in a news paper editorial, made famous by FDR on the evening of December 29, 1940. Roosevelt believed that the United States had to be the great Arsenal of Democracy. He admitted it was risky, but the alternative was to submit docilely to an axis victory and be attacked later on. From this arsenal, aid must flow abroad aid in increasing amounts. See, Robert Huhn Jones, Roads to Russia: United States Lend-Lease to the Soviet Union. (Norman, OK. University of Oklahoma Press, 19), p 13.
2. The bill was drafted in the Office of the General Counsel of the Treasury Department as an amendment to the Pittman Act of June 15, 1940,C. 365,S 1, 54 Stat, 396, 22 U.S.C.A.521, which authorized the manufacture of military material for and at the request of the American Republics by the Secretaries of War and Navy in factories and arsenals under their jurisdiction. The Pittman Act applied only to countries then at peace and forbade any violation of international laws and treaties, any expense to the treasury, or any interference with the use of Shipyards, arsenals or munitions plants by the Army or Navy for their own purposes. Prior to its presentation to Congress the Bill was dissociated from the Pittman Act and given the title of "An Act to Promote the Defense of the United States".
3. Lend-Lease Bill. Hearings before the Committee on Foreign Affairs, House of Representatives, 77 Congress, 1st Session on H.R.1776. For details of the testimony of Cordell Hull and Henry L. Stimson, see, International Division, Army Supply Forces (ASF); "Lend-Lease - As of September 30, 1945, Volume 1 (4-13593-A) 15-16.
4. Ibid; p 18; Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, pp. 259-262.
5. R.H. Jones, Roads to Russia, p. 16.
6. Edward R. Stettinius, Jr., Lend-Lease Weapon for Victory (New York, The Macmillian Co, 1944), p. 95.
7. George Herring, Jr. Aid to Russia, 1941-1946: Strategy. Diplomacy. The Origins of the Cold War (New York and London: Columbia University Press, 1973), pp. 1-24.
8. Edward R. Stettinius Jr.,Lend-Lease Weapon for Victory, p. 106
9. James Dougherty, The Politics of Wartime Aid: American Economic Assistance to France and French North-West Africa, 1940-46 (Westport, Connecticut and London: Greenwood Press, 1978), p. 3.
10. US Department of State, The China White Paper, August, 1949

(Stanford, California: Stanford University Press, 1967), p. 26.

11. Address by the President to the White House Correspondents' Association, March 15, 1941. The address, delivered at the annual dinner of the Association, was broadcast throughout the US by all Radio networks and broadcast, or rebroadcast, throughout the world in nine languages on long - and short-wave circuits. S. Shepard Jones and Denys P. Myers, (ed.) Documents on American Foreign Relations, Vol. 3: July 1940-June 1941 (Boston: World Peace Foundation, 1941), pp. 34-41. US Department of State, The China White Paper, p. 26.
13. Telegram, the Department of State to the American Embassy in ChunKing, China, April 25, 1941. Document no. 893.50/245,5/6. Roll-29, Internal Affairs of China, 1940-1944, Records of the US Department of State, Decimal File 893, Scholarly Resources Inc., National Archives and Record Administration [Here after cited as NARA], Washington DC 1985.
14. Michael Schaller, US Crusade in China, p. 87. 15.
15. Ibid, pp. 32-38, 47.
16. Tang Tsou, America's Failure in China. (Chicago and London: The University of Chicago Press, 1963), p. 33.
17. New York Times, December 9, 1941.
18. Tang Tsou, America's Failure in China, p. 33.
19. Michael Schaller, US Crusade, pp. 90-91.
20. Robert Sherwood, Roosevelt and Hopkins (New York: Harper and Brothers 1948), p. 718.
21. Cordell Hull, The Memoirs of Cordell Hull, Volume 2, (New York: Macmillian Co, 1948), p. 1583.
22. The military objective of unconditional surrender of all enemies was consistent with the assumption that in the post war world all nations would behave in accordance with the basic principles of peaceful international conduct. It is also consistent with the assumption that China would emerge as a great power. But this consistency need not mean that American Officials consciously adopted the principle of unconditional surrender to implement their idealistic program for post-war world. William H. McNell, Survey of International Affairs, 1939-1946: America, Britain, and Russia; Their Co-operation and Conflict (London: Oxford University Press, 1953), pp. 169-70, 269-70, 360-67, and 760-63.

23. Tyler Dennett, Americans in Eastern Asia (New York: Macmillian Co, 1922), p. 677.
24. T. A. Bisson, America's Far Eastern Policy (New, Macmillian Co., 1945), pp. 6-7,13.
25. Cordell Hull, Memoirs, Vol 2, p. 1587.
26. Robert Sherwood, Roosevelt and Hopkins, p.786.
27. Cordell Hull, Memoirs Vol 2, p. 1257, Also see Memorandum from Stanley K. Hornbeck to Hull, FRUS, 1943, China, p. 831.
28. Robert Sherwood, Roosevelt and Hopkins, p. 661.
29. On President Roosevelt's policy toward the colonies of the European powers see Ibid, pp. 572-73, 718-19; and Cordell Hull, Memoirs, vol.2, pp. 1159, 1477-78, and 1601.
30. J. Samuel Walker, Henry A. Wallace and American Foreign Policy (Westport, Connecticut and London: Greenwood Press, 1976), pp. 86-87.
31. John Morton Blum (ed.), The Price of Vision: The diary of Henry A. Wallace, 1942-46 (Boston: Houghton Mifflin, 1973), pp. 29-30.
32. Michael Schaller, US Crusade, p. 91.
33. Robert Sherwood, Roosevelt and Hopkins, p. 573.
34. Tang Tsou, America's Failure in China, p. 40.
35. Paul M. A. Linebarger, The China of Chiang Kai-shek (New World, World Peace Foundation, 1941), p. 310. For a slightly different version see Chinese Ministry of Information, China Handbook: 1937-1945 (revised edition) (New York: Macmillian Co., 1947), p. 79.
36. In building a friendly relationship between the United States and China, Madame Chiang Kai-shek and T.V. Soong played an important role. Paul M. A. Linebarger, The China of Chiang Kai-shek, p. 371; Robert Sherwood, Roosevelt and Hopkins, p.706
37. Dr. Lauchlin Currie was a leading apostle of Keynesian economics of the day. He served as an aide to Marriner Eccles of the Federal Reserve System, and having caught FDR's eye, was appointed to an advisory post in the White House. By reason of his remarkable achievement, Currie impressed Roosevelt with the tremendous importance of the China question. Michael Schaller, US Crusade, pp. 47-48.
38. Memorandum of Currie-Morgenthau Conversation, January 16, 1941,

- Morgenthau Diaries, vol. 1, p. 348.
39. Report by Currie to FDR, March 15, 1941, PSF, Box 427, Roosevelt Papers, FDR Library, Hyde Park, New York.
  40. J. M. Blum, (ed.) From the Morgenthau Diaries. Years of War. 1941- 1945, (Boston: Houghton Mifflin, 1967), p. 89.
  41. George M. Elsey, Roosevelt and China- The White House Story: the President and US Aid to China- 1944 (Wilmington, Delaware: Michael Glazier Inc. 1979) p. 3.
  42. "Why the China Lend-Lease was smaller", p. 1. American Economic Policy toward China, Papers of John D. Sumner, Box no-1, China Files, HST Library, Independence, Missouri.
  43. Ibid, p. 1.
  44. From Arthur B. VanBushkirk, Deputy Administrator, Lend-Lease, to Dean Acheson on China Aid Review Committee, September 17, 1943. p 1. Record Group 169, Box 169, Entry-9, Folder: China Aid to, NARA, Suitland, Maryland.
  45. For a history of Civilian Lend-Lease operations in French North Africa, see, James A. Dougherty, The Politics of War time Aid, pp. 3-216, and for a history of Civilian Lend-Lease aid to Britain see Alan P. Dobson, US War time Aid to Britain, 1940-1946 (London: Croom Helm, 1986), pp. 1-228.
  46. Arthur B. Van Bushkirk to Dean Acheson on China Aid Review Committee, September 17, 1943. p 1. Civilian Lend-Lease provided China with: 1 Supplies, machinery and tools for Chinese arsenals; wire rope for salt wells; supplies for industries engaged in war work. 2. Railroad supplies and American railway experts to advise and assist the Chinese in railway transportation work. 3. Planes for China National Aviation Corporation. 4. Spare parts, tires, repair machinery and tools for trucks; some of which were flown all the way from the United States. Also automotive maintenance and mechanical personnel. 5. 5,000 heavy duty trucks. 6. Two "Liberty" ships to assist in transporting goods to India for China, and to serve as training ships for Chinese officers and crews. 7. Power plants, chemical plants and supplies, which now await opening of sea and land transport. 8. Training programs for China: (a) 110 railway engineers; (b) 40 medical officers; (c) 20 armed guards to man anti-aircraft and anti-submarine guns and otherwise protect ships supplied to China; (d) 12 marine officers and one shipping specialist; (e) 1200 Chinese technicians in American industries, communications, transport and public health, this last program being in the final stage of arrangement. 9. Public health assistance and medical supplies. Four hundred million units of penicillin have been shipped to China. Two tons of DDT anti-lice powder have been

- authorized for shipment. 10. Help, through a limited program, to arrest diseases among animals. China Trade News, Feb. 1946, pp. 9-10.
47. Report on "Lend-Lease Liaison with Foreign Nations-China"-1942. RG-169,Box-169,Entry-9, Folder:China Aid to,NARA, Suitland, Maryland.
  48. Ibid, p. 4.
  49. Foreign Economic Administration," History of the Lend-Lease", Chapter on China (prepared by Grove Quink) p. 5, RG-169, "Records of the Foreign Economic Administration" (hereafter cited as FEA, History of the Lend-Lease) Box no-3139, NARA, Suitland,Maryland.
  50. Ibid, p. 5.
  51. Ibid, p. 9
  52. Edward Stettinius, Jr., Lend-Lease Weapon for Victory, p. 111.
  53. Coordinator of Information, Far Eastern Section, "American Aid, p. 37.
  54. For details of the conditions and importance of the Burma Road see FEA, "History of the Lend-Lease", Chapter-China, p. 11.
  55. In the autumn of 1939 a group of trucking experts led by M. E. Sheahan of the Keeshin Freight Lines, Inc., of Chicago, had been invited to survey the transportation problem throughout Free China. By the end of the year they submitted a detailed appraisal and technical suggestions at length to Dr. H.H.Kung and Minister Chang Kia-gnau. But the later results were not known. Again, as one step toward administrative Consolidation a Transport Control Board was established by the Chinese Government in 1940 to Coordinate Official transportation work in Free China, which had therefore been Carried on chiefly by the Southwest Transpotation Company, The Ministry of Communications, and the China Transport Company. Co-ordinator of Information, "American Aid to China", pp. 44-45.
  56. Ibid, p. 45.
  57. Ibid, p. 52.
  58. Ibid, p. 54.
  59. For details about the Arnestein Mission and its report see FEA, "History of the Lend-Lease", p. 12.
  60. Co-ordinator of Information;" American Aid to China", p. 60.

61. Edward Stettinius, Jr., Lend-Lease Weapon for Victory, p. 112.
62. Ibid, pp. 112-113.
63. FEA, "History of the Lend-Lease", p. 12.
64. Edward Stettinius, Jr. Lend-Lease Weapon for Victory, p. 113.
65. Memorandum for E. R. Stettinis Jr. by Harry Hopkins, September 1, 1943. Office of the Lend-Lease Administration-Group-24, Papers of Harry L. Hopkins, Lend-Lease, Decimal Files, 1943-45, Box-173, Folder:China, 400-3295, FDR Library, Hydepark, New York.
66. International Division, A.S.F., "Lend-Lease As of September 30, 1945" Vol. 2, p. 1130.
67. Edward Stettinius Jr., Lend-Lease Weapon for Victory, p. 113.
68. International Division A.S.F., "Lend-Lease As of September 30, 1945", Vol. 2. p. 1131.
69. The FEA or Foreign Economic Administration came into being in September 1943 by an executive order of FDR which merged the OLLA with other war time Offices and formed the FEA under Leo Crowley. Ibid, Vol.1, pp. 144-145; Edward L. and Frederick H. Schapmeir, Prophet in Politics: Henry A. Wallace and the War Years, 1940-1946 (Ames, Iowa; The Iowa State University Press, 1970), pp. 50-71.
70. International Division A.S.F., "Lend-Lease As of September 30, 1945", Vol. 2, 1131.
71. The China Ministry Of Information, China Handbook, 1937-1943 New York, Macmillan, 1943), pp. 247-248.
72. FEA, "History of the Lend-Lease", p. Epilog:1.
73. Ibid, p. 3.
74. Ibid, p. 5.
75. International Division A.S.F., "Lend-Lease as of September 30, 1945," Vol. 2, p. 1132.
76. Co-ordinator of Information, "American Aid to China", p. 62.
77. Ibid, p. 63.
78. Ibid, p. 64.
79. Ibid.

80. FEA, "History of the Lend-Lease", p. 15.
81. Ibid.
82. Co-ordinator of Information, "American Aid to China", p. 66.
83. Edward Stettinius, Jr. Lend-Lease-Weapon for Victory, p. 185.
84. Memorandum by William R. Langdon of Far Eastern Affairs Division. August 20, 1943. FRUS, 1943, China, 678.
85. "Report on Lendlease Aid to China", undated, American War Production Mission, Box-14, Folder: Report of Lend-Lease Aid to China, FDR Library, Hyde Park, New York.
86. Arthur Young, China and the Helping Hand, p. 250.
87. Memorandum by Hornbeck to the Assistant Secretary of State (Berle). February 27, 1943. FRUS 1943, China, p.663. Arthur Young, China and the Helping Hand, pp. 248-49.
88. Memorandum by William R. Langdon of the Division of Far Eastern Affairs. August 20, 1943. FRUS, 1943, China, p. 680; Arthur Young, China and the Helping Hand, pp. 248-249.
89. Memorandum by Langdon, August 20, 1943. FRUS, 1943, China, p. 679.
90. Ibid, p. 681.
91. Arthur Young, China and the Helping Hand, p. 250.
92. Memorandum by Alger Hiss to Hornbeck, March 17, 1943. FRUS, 1943, China, pp. 665-667.
93. Memorandum by J. Franklin Ray Jr. to Alger Hiss. July 7, 1943, Ibid, p. 675.
94. During the period between December 1942 and December 1943, the Air Transport Command moved a total of 63,000 tons of Lend-Lease goods over the HUMP. In 1944, the monthly HUMP rate had been increased from approximately 14,500 tons in January to 34,600 tons in December with a total of 267,500 tons moved for the year. In 1945 with a further increase of the monthly tonnage rate, the total amount carried through September was 469,000 tons. Only a minor part, however, consisted of Lend-Lease equipment and supplies. For details, see, FEA, "History of the Lend-Lease", p.
95. The China Ministry of Information; China Handbook 1937-1943 p. 84.
96. International Division A.S.F., "Lend-Lease As of September 30,

- 1945", Vol. 2, p. 1132.
97. The Indian Agent General (Bajpai) to the Chief of the Division of Near Eastern Affairs (Alling). July 10, 1942. FRUS 1942, China, p. 583.
  98. The China Ministry of Information, China Handbook 1937-1945, p. 376.
  99. Telegram from the Department of State to the US Embassy, ChunKing, April 4, 1942. 893.5032/37, Roll-31, Internal Affairs of China 1940-1944, Department of State Decimal File 893, Scholarly Resources Inc. 1985, NARA, Washington D.C.
  100. The China Ministry of Information, China Handbook, 1937- 1945, p. 380.
  101. New York Times June 28, 1942.
  102. Allied Labor News, October 1, 1942.
  103. International Division A.S.F. "Lend-Lease As of September 30, 1945", Vol. 2, p. 1121.
  104. Ibid, pp. 1121-1125.
  105. Ibid, p. 1127.
  106. Ibid, p. 1128; Cordell Hull to Clarence Gauss, February 10, 1943. FRUS, 1943, China, p. 498.
  107. International Division A. S. F., "Lend-Lease As of September 30, 1945" Vol. 2, p. 1128.
  108. Ibid, pp. 1129-30.
  109. Clarence Gauss to Cordell Hull. July 28, 1942. FRUS 1942, China, p. 585.
  110. James A. Jacobson to Donald M. Nelson, September 25, 1944. Box-1, Folder: Second trip-travel orders log, diary, and map, Papers of Edwin A. Locke Jr., HST Library.
  111. International Division A.S.F., "Lend-lease As of September 30, 1945", Vol. 2, p. 1133.
  112. US Army and Lend-Lease Administration. " Medical Aid to China". 893.48/3008 PS/VMC. July 9, 1943, Roll-34, Internal Affairs of China 1940-44, Scholarly Resources Inc. 1985.
  113. Telegram from Richard F. Allen, Vice Chairman, Insular and Foreign Operations to the American Embassy ChunKing. November



- 29, 1943. 893.48 RCO/43.11.29. Ibid.
114. Survey of Medical Aid given to China by American Organizations in the War Emergency, pp. 7-8. 893.48/3008 PS/VMC. Ibid.
  115. Arthur Young, China and the Helping Hands, p. 253.
  116. Cordell Hull to the US Ambassador in the Soviet Union. May 15, 1942. FRUS, 1942, China, p. 593.
  117. Memorandum of Conversation by the Assistant Chief of the Division Affairs (Stanton), July 12, 1943. Also, the Acting Secretary of State to C. Gauss, October 1, 1943; Gauss to Hull, October 13, 1943. FRUS, 1943, China, pp. 606, 612-613.
  118. The Secretary of State to the Charge in China. FRUS, 1943, China, p. 604.
  119. Hull to Gauss. February 18, 1943. Ibid, p. 619.
  120. Charles Romanus and Riley Sunderland, Stilwell's Command Problems, (Washington D.C.: Government Printing Office, 1956) p.292n.
  121. "Report on Lend-Lease aid to China", p. 2. American War Production Board (here after cited as A.W.P.B.) FEA: China Division, Folder-Report on Lend-Lease to China, FDR Library.
  122. FEA, "History of Lend-Lease", p. 24.
  123. Ibid.
  124. US Department of State, United States Relations with China, p. 28.
  125. "Report on Lend-Lease Aid to China", p. 4. A.W.P.B, FEA: China Division, FDR Library.
  126. Department of State Bulletin, April 15, 1944. p. 363.
  127. "American Economic Policy Toward China", Section 3. Papers of John D. Sumner, Box no-1, Folder: China Files, HST Library.
  128. On this end the US Government initially granted a sum of \$150,000 for China in January 1942. Cordell Hull to Gauss. January 20, 1942. FRUS, 1942, China, p. 697.
  129. Lend-Lease sent some experts to China who could contribute directly to the Chinese military effort. Besides sending a mission of 16 anti-malaria experts to China to work along the Communication lines. Lend-Lease also sent an army veterinary doctor" to work among the pack animals bringing military supplies from Russia". Memorandum by Haldore Hanson of the

- Division of Cultural Relations, July 15, 1942. Ibid, pp. 717-721.
130. Secretary of State to the Charge' in China (Atcheson). May 13, 1943. Ibid, 1943, p. 737.
  131. For a list of the US experts in China at the end of 1943, see Memorandum prepared by the Department of State. October 28th, 1943. Ibid, pp. 754-56.
  132. Hull to Gauss. March 14, 1944. Ibid, 1944. p. 1128.
  133. Memorandum by Willyspeck, April 6, 1944. Ibid, p. 1130. Also, Hull to Gauss, April 8, 1944. Ibid, p. 1134.
  134. Gauss to Hull, April 25, 1944. Ibid, p. 1139.
  135. Consul General at Kunming (William R. Langdon) to Cordell Hull. September 5, 1944. Ibid, 1150.
  136. Ibid, 1945, Vol. 7, pp. 1425-50.
  137. "American Economic Policy Toward China", Section 3, Papers of John D. Sumner, pp. 2-3.
  138. About the "Guide to China's Industry", Alex Taub himself wrote a descriptive article in the China Trade News, March, 1945, pp. 3-4, 8, 14.
  139. US Department of State, The China White Paper, p. 31.
  140. Ibid.
  141. Arthur Young, China and the Helping Hand, pp. 219-220.
  142. Gauss to Hull, December 30, 1941, Department of State Decimal File, China/893.51/7372; Arthur Young, China and the Helping Hands, p. 221.
  143. US Department of State; The China White Paper, p. 33.
  144. Michael Schaller: US Crusade, p. 98.
  145. Cordell Hull to C. Gauss, January 5, 1943. FRUS, 1943, China, pp. 492-494.
  146. Mabel Taylor Gragg, "History of the American War Production Mission in China", pp.179-80. Truman Papers, Folder-3, Confidential File, State Department Correspondence, 1945-46, HST Library.
  147. Hurley to the Secretary of State. August, 18, 1945. FRUS, 1945, Vol.7, The Far East, China, pp. 1125-1128.

148. FEA, "History of the Lend-Lease", p. 40.
149. Leo Crowley, the FEA Administrator, to Wei Tao-Ming, Chairman of the Chinese Supply Commission. August 18, 1945. FRUS, 1945, Vol.5, The Far East China, pp. 1130-31.
150. The term "Pipe line" indicates the supplies for which contracts between the US and China were signed before V-J Day, but which were in the process of being manufactured, on the way to be shipped, or stockpiled either in the US or in India. For details about the Pipeline, Chapter 6 of this dissertation.
151. FEA, "History of the Lend-Lease", p. 46.
152. Ibid, pp. 46-47.
153. Secretary of Stimson refused to provide transport equipment to the Northwestern Highway supply line to China as not serving any military use. Again, on June 25, 1943, the Under Secretary of War (Berle) in a communication to the Lend-Lease administration suggested holding up the procurement of additional arsenal supplies for China providing trucks to China out of US production in 1944 was opposed by the Director of the Army Supply Forces. Arthur B. Van Bushkirk to Dean Acheson on China Aid Review, September 17, 1943, p 3.
154. A.W.P.B. "Lendlease Aid to China", p. 2. Also, Arthur Young, China and the Helping Hand, pp. 267-78.
155. Van Bushkirk to Acheson. September 17, 1943. p. 2.
156. Civilian supplies meanwhile were stranded in India. See, Ibid, p. 3.
157. This conflicting situation with regard to the supply of civilian goods to China becomes clear if we review briefly the plans and operations of the civilian Lendlease in China. Since the fall of Burma, in May 1942, the Lend-Lease administration had undertaken to maintain in India a reserve stock of non-military supplies urgently by the Chinese and ready for delivery to China as transport facilities became available. Lend-Lease officials, meanwhile, supported the Chinese desire to develop a Northwestern Highway supply route, and also supported expansion of air transport facilities into and within China so that at least some non-military supplies for use in China by the Chinese could be delivered. They also sponsored programs to expedite the delivery of automotive spare parts and equipment required to service Chinese internal transport facilities. Despite opposition from the War Department, Lend-Lease Officials continued procuring severely restricted quantities of other non-military supplies not already stockpiled in India and so urgently needed as to command high priority for early delivery to China. They also increased the

- procurement and forwarding of needed non-military equipment when transport facilities became available for the movement of such supplies. For details, see, *Ibid*; pp. 3-4.
158. Edward Stettinius, Jr., Lend-Lease: Weapon for Victory, pp. 196-197.
  159. Memorandum by Van Bushkirk to Acheson. September 20, 1943, Memorandum from Dean Acheson to the Under Secretary of State (Stettinius), October 14, 1943. FRUS, 1943, China, pp. 508-514.
  160. *Ibid*.
  161. Van Bushkirk to Acheson. September 17, 1943. p. 4.
  162. Aide-Memoire from the British Embassy to the Department of State, July 27, 1943. Also memorandum by Carter Vincent to Acheson. September 15, 1943. FRUS, 1943, China, pp. 503-506.
  163. Gauss to Hull, September 23, 1943. *Ibid*, p. 512.
  164. Aide-Memoire from the Department of State to the British Embassy. November 27, 1943. *Ibid*, p. 514.
  165. "American Economic Policy toward China", Section 3, Papers of John D. Sumner, pp. 4-12.
  166. Address of John Carter Vincent at luncheon of China- American Council of Commerce and Industry, Metropolitan Club, New York, February 9, 1944. Papers of John D. Sumner, Box-1, China Files, ChungKing Conferences on Post-war Economic Reconstruction in China, April 1945, Folder-2, HST Library.

### Chapter Three Footnotes

1. The Axis block was composed of Germany, Italy and Japan.
2. Communication and arsenal materials could be categorized both under civilian and military Lend-Lease.
3. Appendix B of a top secret memorandum of State, War and Navy Coordinating Committee's discussion. No. 407. Undated. Ref-59. Dept. of State Decimal File 1945-49-Box-114-NARA, Washington, D.C.
4. Memorandum for the President from the Acting Secretary of State. Subject: Policy with respect to China. April 27, 1945. P.S.F. Subject Files 1945-52 Box-173, China 1945, Harry S. Truman Library.
5. Ibid.
6. Tang Tsou, America's Failure in China, 50-51.
7. The Chinese Army was not an army in the Western sense. As John Davies noted the Chinese Army was "an agglomerate of feudalistic military forces held more or less together by personal loyalties, endowments, grants in aid, threats of superior weight and indifferent toleration. The Generalissimo's relation to this armed mass varied. A few divisions he could count upon to obey his orders fairly faithfully, within the limits of their ability. Others, no. He wisely did not attempt to issue to some of the more independent commanders orders which he had reason to believe they would not be willing to obey. Many orders were issued only after negotiation with the commander or his Chungking representative." See, Strictly confidential memorandum for the Ambassador from John Davies, March 9, 1943. PSF China, 1943, Box 38, Collection PSF Diplomatic, FDR Library. Observations of China as a Wartime ally of the United States of America, pp. 4-7. PSF-Subject, Box 170, OSS Nov. 16-30, 1944, FDR Library. See also, Tang Tsou, America's Failure in China, pp. 49-50.
8. For details about China's backwardness in building an air force, see A. Young, China and the Helping Hand, pp. 138-140.
9. Michael Schaller, U.S. Crusade, p. 35.
10. For a detailed discussion of U.S. pre-Lend-Lease military aid to China, see Michael Schaller, U.S. Crusade, pp. 65-84, and also Arthur Young, China and the Helping Hand, pp. 126-153.
11. Arthur Young, China and the Helping Hand, pp. 138-140.

12. Ibid., pp. 136-137.
13. FEA, 'Lend-Lease Aid to China', p. 140.
14. A. Young, China and the Helping Hand, p. 140.
15. Department of State to the Chinese Ambassador, FRUS 1940, Volume 4, pp. 705-708.
16. For details about this plane deal, see Michael Schaller, U.S. Crusade, pp. 75-76. Also, Arthur Young, China and the Helping Hand, pp. 141-142.
17. Before 1936 Claire Chennault had enjoyed a successful and controversial career in the US Army Air Force. He was a prominent advocate of the importance of the fighter plane operating both independently and as a bomber escort. But when the Army Air Force adopted the contrary strategy based on the use of unescorted bombers, Chennault quickly lost influence. When questions were raised about Chennault's physical fitness (he suffered a hearing disability), the Colonel retired from active duty. Unhappy with this premature retirement, Chennault's interest was engaged by reports he received from friends who were serving as flying instructors in China. News of Chennault's aviation skill was brought to Madame Chiang Kaishek's attention through this channel. Shortly before the outbreak of the Sino-Japanese war in 1937, Madame Chiang, who served on the board overseeing the Chinese Air Force, persuaded Chennault to accept a position as an air defense advisor. Nominally, however, Chennault's employer was the Bank of China. This technically avoided an overt violation of American neutrality statutes. In addition the arrangement linked Chennault to the wider circle of Chinese Nationalist family politics since T. V. Soong who later served as a key Chinese official in Washington.

When war broke out between Japan and China in July 1937, Chennault offered his services to the Generalissimo. During the next year the American advisor trained the Chinese pilots who flew the ramshackle assortment of outdated planes which comprised Chiang's airforce. But, as Chennault noted with uneasy admiration, far more effective was the large Soviet Air contingent which Stalin lent to Chiang in 1937-38. In response to China's need and his own sense of duty, by late 1938, Chennault had set out to organize a small "international squadron" composed of European, American and Latin American pilots.

Later on, Chennault devoted his energy to developing the American Volunteer Group (AVG) which was later on incorporated as a part of the US Army. Chennault, who believed in air strategy against Japan, suffered a lot in the hands liberal historians in his conflict with General Joseph Stilwell, who believed in the supremacy of a ground force strategy.

Chennault was relieved from his position after Wedemeyer, who intended to reorganize both the Chinese Air Force and ground forces, came to China. For details about Claire L. Chennault, see: Claire L. Chennault, Way of a Fighter (New York: Putnam, 1949). Also, Michael Schaller, The US Crusade, pp. 68-75, 77, & 84.

18. Arthur Young, China and the Helping Hand, p. 148. Also, Memorandum by the Chief of the Division of Far Eastern Affairs (Hamilton) of a conversation with the First Secretary of the Chinese Embassy. January 3, 1940, FRUS, 1939, Volume 3, pp. 773-774.
19. Michael Schaller, U.S. Crusade, pp. 70-71. Also, Dept. of State of the Chinese Embassy, December 4, 1940. FRUS, 1940, vol. 4, p. 705.
20. For details about their activities in favor of China, see Schaller, U.S. Crusade, pp. 70-82.
21. *Ibid.*, p. 77.
22. FEA: "History of Lend-Lease", pp. 3-4. ✓
23. *Ibid.*, p. 4. See also Stettinius, Lend-Lease Weapon for Victory, p.
24. Michael Schaller, U.S. Crusade, pp. 66-67.
25. William P. Head, America's China Sojourn: America's Foreign Policy and its effects on Sino-American Relations, 1942-1948. (Lanham, New York, London: University Press of America, 1983), p. 1.
26. Henry L. Stimson and McGeorge Bundy, On Active Service in Peace and War. (New York: Harper & Brothers, 1947), pp. 531-532.
27. William Leathy, I Was There. (New York, McGraw Hill, 1950), p. 292.
28. For example, General George Marshall stated: "If the armies and government of Generalissimo Chiang Kaishek had been finally defeated, Japan would have been left free to exploit the tremendous resources of China without harassment. It might have made it possible, when the US and Britain had finished the job in Europe and assaulted the Japanese homeland for the government to flee to China and continue the War on a great and rich land mass". See General George C. Marshall, The War Records of General George C. Marshall (New York: J. B. Lippincott, 1947), p. 209.
29. From Ambassador Johnson to the Secretary of State, October 24, 1940. FRUS 1940, Vol. IV, The Far East, p. 429.

30. Michael Schaller, U.S. Crusade, p. 56.
31. Ibid.
32. Charles Romanus and Riley Sunderland, Stilwell's Mission to China, (Washington D.C.: U.S. Dept. of the Army, 1953). pp. 14-17.
33. Michael Schaller, U.S. Crusade, p. 57.
34. Memorandum from the Acting Secretary of War, Robert P. Patterson to Brigadier General John Magruder, U.S. Army. Aug. 27, 1941. International Division A.S.F. "Lend-Lease Documentary Supplement, Vol. 1, January 1, 1935-September 30, 1941.
35. The nature of the mission is indicated by the wide range of specialists sent under its head, Brigadier General John Magruder. Among the members of the mission, six had experience in China, three of whom studied the language for five years or more. One member was a Japanese language man. The following list gives the special phases of military science represented and the number of members of the mission associated with each: Aircraft pursuit. (1) Anti-Aircraft, (1) Bombardment, (1) Arsenal Ordnance Production, (1) Cavalry, (1) Chemical Warfare, Communications-Radio and Wire (1), Demolition (2), Economic Warfare (2), Field Artillery (1), General Utility (1), Infantry (3), Mechanized Forces (3), Medicine (2), Motor Maintenance and Transport (4), Motor Roads (1), Ordnance (3), Railroads (2), Small Arms, American (1), Supply (1), Training and Schools (1), War plans (1). After Lt. James Wilson had been sent out under Lend-Lease to take charge of trucking operations along the Burma Road, he was assigned to the military mission.  
See: Coordinator of Information, "American Aid to China."
36. Michael Schaller, U.S. Crusade, p. 58.
37. Ibid., pp. 88-89.
38. For a brief account of the Japanese occupation of Burma, and the withdrawal of the British and Chinese, see, Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II: The War Against Japan. (Annapolis, Maryland: Naval Institute Press, 1982, pp. 62-102, 198-249.)
39. Michael Schaller, U.S. Crusade, p. 92. Also, Gauss to Hall, December 8, 1941, FRUS, 1941, IV, 736.
40. Roosevelt to Chiang, December 14, 1941, FRUS, 1941, IV, 751.
41. Chin-tung Liang, General Stilwell in China 1942-1944, p. 16.



- the Full Story (New York: St. John University Press, 1972).
42. International Division, A.S.F., "Lend-Lease, as of September 30, 1945."
  43. Ibid., pp. 1114-15.
  44. Robert E. Sherwood, Roosevelt and Hopkins, p. 447.
  45. In a memorandum of September 23, 1944 to Henley, Stilwell said of the Generalissimo's attitude, "What he is gagging at is L-L (Lend-Lease), and it is a serious matter of face with him that Stalin and the Br, com cons are now known; the question remains". See Hearings, Military situation in the Far East, before the Committee on Foreign Relations, U.S. Senate, 82nd Congress, 1st Session, Part 4, June 21, 1951, pp. 2873-2874. A. Young, pp. 264-265; also, Charles Romanus and Riley Sunderland, Stilwell's Mission to China, pp. 157-159.
  46. For a life history of Stilwell, see Barbara W. Tuchman, Stilwell and the American Experience in China, 1911-1915. (New York: Macmillan Co., 1970). Also, for a short biography, Chintung Liang, General Stilwell in China, pp. 18-19.
  47. Arthur Young, China and the Helping Hand, pp. 264-65.
  48. Letter from the Munitions Assignment Committee (ground) to CDS, June 16, 1942. Subject: Chinese Emergency Air Transport Program. "Lend-Lease as of September 30, 1945," p. 1116.
  49. CDS Chart, October 27, 1942. Subject: "Summary of Second Emergency Air Transport Program," as quoted in *ibid.*, 1116.
  50. Coordination of Information: "American Aid to China," p. 24.
  51. *Ibid.*, pp. 24-25.
  52. FEA: "Lend-Lease Aid to China," p. 6.
  53. Memorandum from ARnold to Lovett, June 11, 1941. Quoted in Michael Schaller, U.S. Crusade, p. 81.
  54. These requisitions called for the provision of facilities, equipment, supplies and instruction to Chinese student pilots, armorers and radio operators in civilian and air corps schools in America and for transportation expenses for Chinese student pilots from Rangoon, Burma to schools in the United States and return. Chinese requisitions C-302 and C-303 quoted in International Division A.S.F. "Lend-Lease as of September 30, 1945, Vol. 11, p. 760.
  55. FDR's message to the Congress September 15, 1941. Quoted in Coordinator of Information, "American Aid to China," p. 29.

56. Memorandum from Oscar S. Cox to E. R. Stettinius Jr., March 11, 1941, on legality of Chinese Requisitions C-302 and C-303. From International Division A.S.F. Lend-Lease Documentary Supplement, Vol. 1, January 1, 1935-September 30, 1941, p. 24.
57. Ibid.
58. Ibid.
59. From the Attorney General of the US to FDR, dated May 23, 1941. As quoted in Memorandum from the Assistant Judge Advocate General to the Under Secretary of War, dated October 13, 1941. International Division A.S.F., "Lend-Lease Documentary Supplement, Vol. II, October 1, 1941-June 31, 1942.
60. Letter from FDR to Secretary of War dated June 4, 1941. Quoted in International Division A.S.F., "Lend-Lease: As of September 30, 1945, Vol. II, p. 761.
61. Ibid., p. 761.
62. The Judge Advocate General of the United States after making a critical analysis of the sub-section 3(a)(2) of the Lend-Lease Act announced that "under the provisions of the Lend-Lease Act, and the Defense Aid Supplement Act of 1941," it was quite lawful for the President or his representative to
- "a. Pay for the transportation to their destination within this country and return of students designated by the Chinese Government for its purposes of training as airplane pilots and available mechanics;
- "b. Give such training to such students at air corps schools, and
- "c. Pay for tuition cost, hospitalization, etc. at civilian contract flying schools."
- For details see Memorandum from the Assistant to the Judge Advocate General to the Under Secretary of War, October 13, 1941. International Division A.S.F.: "Lend-Lease". Documentary Supplement Vol. II, October 1, 1941-June 30, 1942.
63. Later on, in his fifth report to Congress, FDR stated that Lend-Lease funds had helped our Allies to make this country one of the principal training grounds for their pilots. Thus, enabling the United Nations to reap the benefits of the military security of the US, its numerous airfields and the comparative abundance of its flight training facilities. See report to the Congress by the President on Lend-Lease operations for the year ending March 11, 1942, dated March 11, 1942.
64. FEA, "History of the Lend-Lease," p. 31.
65. FEA Lend-Lease Training program (Chinese). Office of the

Foreign Liquidation Commission (OFLC). January 30, 1946, DA-1634-CRB. File: Box: NARA, Washington D.C.

66. International Division A.S.F.: "Lend-Lease: As of September 30, 1945," Vol. II, p. 770.
67. FEA, "History of Lend-Lease," p. 32.
68. OFLC; FEA Lend-Lease Training program - Chinese, p. 2.
69. Ibid., p. 2.
70. FEA, "History of the Lend-Lease."
71. OFLC; FEA Lend-Lease Training Program - Chinese, p. 2.
72. FEA, "History of the Lend-Lease," pp. 34-35.
73. OFLC, FEA Lend-Lease Training Program - Chinese, p. 9.
74. Ibid., p. 9.
75. FEA, "History of the Lend-Lease," p. 37.
76. Ibid., pp. 37-38. One Chinese training program center was located in Lahore, India. See Stettinius, Lend-Lease Weapon for Victory, p. 194.
77. For details about the training of the X- and Y- forces, see Chin-Tung Liang, General Stilwell in China, pp. 146, 147, 251, 252, 257, 273.
78. Grace Person Hayes, A History of the Joint Chiefs of Staff in World War II, p. 226.
79. For details of Stilwell's proposal, see Chin-tung Liang, General Stilwell in China, pp. 52-53, and, Michael Schaller, U.S. Crusade, pp. 105-107.
80. Michael Schaller, U.S. Crusade, p. 107.
81. Ibid., p. 112.
82. AMMISCA 386, March 21, 1942, quoted from "Lend-Lease as of September 1945," p. 1117.
83. G.M. OUT 63575, October 11, 1942, quoted from Ibid., p. 1118.
84. Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II. The War Against Japan, p. 227.
85. International Division, "Lend-Lease as of September 30, 1945," p. 1119.

86. Department of State Bulletin, April 15, 1944, p. 361.
87. Charles Romanus and Riley Sunderland, Stilwell's Command Problems, p. 32. Also, Chin-tung Liang, (Washington D.C.: Dept. of the Army, 1956) General Stilwell in China, p. 146.
88. Ibid., p. 146.
89. Ibid., p. 146.
90. Ibid., pp. 152-153.
91. For details about FDR's correspondence to force the Chinese Expeditionary Forces to move into Burma under the TARZAN plan, see, *ibid.*, pp. 168-170.
92. Arthur Young, China and the Helping Hand, p. 307.
93. Romanus and Sunderland, Stilwell's Command Problems, pp. 310, 312, and 314.
94. Ibid., pp. 313-14, notes, 43, 44, 45.
95. "Lend-Lease as of September 30, 1945," pp. 1119-20.
96. Chin-tung Liang, General Stilwell in China, p. 173.
97. Ibid., p. 54.
98. Ibid., p. 62.
99. Ibid., p. 80.
100. Michael Schaller, U.S. Crusade, p. 114.
101. Ibid., p. 114.
102. Ibid., p. 121.
103. Romanus and Sunderland, Stilwell's Mission in China, p. 271.
104. Chin-tung Liang, General Stilwell in China, p. 104.
105. FDR to Marshall, 1943, Stilwell's Mission to China, pp. 279-82.
106. Romanus and Sunderland, Stilwell's Mission to China, p. 278.
107. Michael Schaller, U.S. Crusade, p. 137.
108. Ibid., p. 138.
109. Chin-tung Liang, General Stilwell in China, pp. 135-36.

110. For details about China's role at the Cairo Conference, George M. Elsey, Roosevelt and China: The White House Story, "The President and US Aid to China-1944," (Wilmington, Delaware: Michael Glazier Inc. 1979), pp. 9-19.
111. Michael Schaller, U.S. Crusade, pp. 150-151.
112. Ibid., pp. 154-55. As an example of Chiang Kaishek's practice of using threats, see, Chiang to FDR, January 16, 1944, State Department Decimal File, China, 893 5,7725, NARA, Washington, D.C.
113. Telegram from Ambassador Nunley to the Secretary of State, August 18, 1945. Naval Aide Files Box-8 File: Communications Hurley to Truman, 1945. Harry S. Truman Library.
114. In his book, OSS, The Secret History of America's First Central Intelligence Agency, R. Harris, mentions a huge number of examples of incompetence in the Chinese Military Command, and also their tendency to hoard the war materials for the upcoming war against the Communists in the post-war period. To quote Harris, "In November 1944, when Japanese troops began an offensive that threatened Chennault's air bases, groups of OSS demolition teams were sent to destroy equipment that might be captured by the enemy. A fifteen man team commanded by a 25-year old veteran of Detachment 101 discovered three huge ammunition dumps which held tons of arms and supplies. They were told the equipment had been collected and hoarded for years against a crisis in east China. With the Japanese only twenty miles away, the bungling Chinese Army Commanders were still zealously hoarding the material. The Americans were forced to destroy the entire stores only hours before the Japanese entered the town." R. Harris Smith, OSS, The Secret History of America's First Central Intelligence Agency. (Berkeley, University of California Press, 1972). See also, Theodore White and Annalee Jacoby, Thunder out of China. (New York: W. Sloane, 1946), p. 196. About hoarding, the Communists also realized that Lend-Lease supplies were often being hoarded by the KMT. For example, as early as 1942, Chou-En-Lai advised Davies that the US Government "should watch its aid to Nationalist China closely, asserting that Lend-Lease supplies would be hoarded for use after the War to maintain the ruling faction." Anthony Kubek, How the Far East was Lost: American Policy and the Creation of Communist China, 1941-1949 (New York: Twin Circle, 1972), p.

The failure of the Chinese in some places to utilize critical war material for the prosecution of the war was the cause of considerable criticism by United States personnel. The Chinese stored some of this material in caves and in godowns instead of issuing it to the units in training and combat. In view of the serious shortages in China, better use could have been made of this material in the war effort. After

the assignment of United States liaison officers to the Chinese units for assistance, advice, and observation of the handling of Lend-Lease material, hoarding and inefficient utilization of munitions were greatly reduced. In this connection, it was believed that the control of Lend-Lease supplies could have been one of the most effective weapons available to the US forces in influencing the Chinese toward a greater war effort. The situation was thoroughly appreciated in the Theater, but due to the US governmental policy, this weapon could not be used because the US was not in a strong enough position in the Far East to adopt strict measures which might involve estrangement of relations between the United States and China. "Lend-Lease: As of September 30, 1945," Vol. II, pp. 1167-1168.

115. Minutes of the Chiang-Currie Talks, July 22, 1942. In Chin-tung Liang, General Stilwell in China, p. 81.
116. Memorandum from Major General J. H. Burns, Executive MAB to Harry Hopkins, "Shipments to China," 22nd April, 1942. Quoted in Grace Person Hayes, History of the Joint Chiefs of Staff, p. 210.
117. Message from Marshall to Stilwell, 29th April, 1942, 566, CM-OUT-5680, CCS 540 China (2-9-42) as quoted in *ibid.*, p. 210.
118. Stilwell to Marshall, May 2, 1942, 629 CM-In-0513, CCS 540 China (2-9-42) as quoted in *ibid.*, pp. 210-11.
119. Minutes, MAB 15th Meeting, May 13, 1942, item 6 as quoted in *ibid.*, p. 216.
120. Stilwell's Mission to China, p. 160. Also, Chin-Tung Liang, General Stilwell in China, p. 74. Footnote #44.
121. Chin-tung Liang, General Stilwell in China, p. 61.
122. Minutes of the Chiang-Stilwell talks, June 26, 1942. As quoted in Chin-tung Liang, 55-56.
123. Minutes of conferences attended by Madame Chiang, Stilwell, etc., July 2, 1942, *ibid.*, p. 63.
124. Stilwell to Chiang, July 27, 1942, as quoted in *ibid.*, p. 63.
125. For details about Stinson-Soong correspondence, see, *ibid.*, pp. 15-25.
126. Stilwell's Mission to China, p. 165.
127. T. V. Soong's message to Generalissimo Chiang, July 9, 1942, The Study of Stilwell's Appointment, p. 81.
128. Michael Schaller, U.S. Crusade, pp. 110-111.

129. Chin-tung Liang, General Stilwell in China, p. 65.
130. Ibid., p. 65.
131. For details about Stilwell's involvement in the attempt to overthrow Chiang, see Michael Schaller, U.S. Crusade, pp. 128-145. Supporting Stilwell in plunging himself into China's domestic politics, John Davies wrote "Stilwell was involved, whether he liked it or not, in Chinese domestic politics. He is a major force in Chinese politics. By instinct, temperament and convictions, he seeks to avoid involvement in Chinese domestic politics. But the fact that he commands a military force in China, is empowered to issue orders in the Generalissimo's name and has under his control Lend-Lease material for distribution to China makes him, despite all of his wishes to the contrary, a Chinese political factor. While he endeavors to avoid playing domestic politics, he cannot prevent politics from being played on him." See, strictly confidential Memorandum for the Ambassador from John Davies Jr., March 9, 1943, Box-38, Collection PSF Diplomatic, FDR Library.
132. Ibid., p. 131.
133. Report by Ho Ying China, May 5, 1944, Schaller, pp. 131-32. Also, the Ambassador in China (Gauss) to the Secretary of State, May 27, 1944, FRUS, Vol. 6, China, pp. 85-86.
134. Michael Schaller, U.S. Crusade, p. 137.
135. Schaller, U.S. Crusade, pp. 143-144.
136. Ibid., p. 168. See also, for Generalissimo Chiang Kaishek from FDR: September 9, 1944. MAP Room, Box-10, FDR-Chiang Kaishek, 1944, FDR Library; From FDR to Chiang Kaishe, September 16, 1944 (from War to AMMISCA, Chungking). MAP room, box-10, FDR to Chiang 1944, FDR Library; and, Chinese memorandum (translation), August 15, 1944. Received in M.R., August 15, 1944. MAP Room, Box-10, FDR-Chiang, 1944, FDR Library.
137. Strictly confidential memorandum for the Ambassador from John Davies Jr., March 9, 1943, Folder PSF, China, 1943, Box 38, Collection PSF Diplomatic, FDR Library. After Stilwell's departure, General Albert C. Wedemeyer came to China as the Commander General of the U.S. Army. Although Wedemeyer retained the same or controlling authority on Lend-Lease, like Stilwell, he undertook a more positive approach to Chiang Kaishek and avoided taking any unilateral decision. The Generalissimo found in Wedemeyer a General who was busy only in military affairs and didn't like to plunge himself in Chinese internal affairs. The New York Times, on October 31, 1944, tried to speculate about the various reasons for Stilwell's

conflict with Chiang which led to the forearms recall.

138. Message from FDR to Generalissimo Chiang Kaishek, on 10 November, 1943. PSF-SAFE, Box-2, SAFE File China, FDR Library. Further information about FDR's desire to carry out the Matterhorn project can be seen in George M. Elsey, Roosevelt and China: The White House Story, pp. 26-29.
139. Operation Buccaneer was the code name for the Upper Burma Campaign. See Chin-tung Liang, General Stilwell in China, pp. 152, 164, 165, 167, 181 (footnote 7), and 192.
140. Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II, p. 573.
141. Message from FDR to Chiang Kaishek, November 10, 1943, PSF SAFE, Box-2, SAFE File China, FDR Library.
142. Arthur Young mentions that when in the Teheran Conference the Americans failed to convince the British and Stalin about the need for an amphibious operation and the promise made to Chiang at Cairo was cancelled, FDR thought to compensate the Chinese with something else. To quote A. Young, "Roosevelt reluctantly agreed on December 5, in the words of Admiral Leathy, to "propose some substitute to Chiang." See A. Young, China and the Helping Hand, p. 277.
143. JCS 747, Memo by CG AAF, "Method of Control, 20th Bomber Command," 6th March, 1944, as quoted in Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II, p. 393.
144. Chaven and Crate, The Army Forces in World War II, Vol. 5, pp. xv-xii, Vol. 4, pp. 171-75.
145. Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II, p. 203.
146. According to Smith, OSS is Office of Strategic Services, but William P. Head mentions it as Office of Special Services. During the second World War the primary American intelligence gathering organization was the Office of Special Services (OSS). Unlike the present-day C.J.A., the OSS was not the only major intelligence gathering organization. Each one of the military services had its own intelligence gathering agency. Several organizations to meet the needs of the Second World War were created; however, the OSS was the most important.  
In July 1941, the Office of the Coordinators of Information (COI) was created, and William Joseph "Wild Bill" Donovan was placed at its head. Donovan was an Irish-Catholic Republican who supported Herbert Hoover in 1932. He was 58 years old, a Wall Street lawyer, and a millionaire. He had been a proponent of American intervention long before the Japanese bombed Pearl Harbor.



Six months after the war began the propaganda division of the Office of War Services was combined with the C.D.I. and renamed the Office of Special Services as OSS. Donovan became the head of the new organization. He was a very energetic individual who often went to the front to witness events firsthand. He looked into every hair-brained scheme for a chance to gain some advantage over the enemy. No expense was spared. Instead, he sought the techniques necessary to undermine the enemy. To those under Donovan were delegated the responsibility of organizing the OSS. His top assistant, Louis Ream, a United States steel executive, became the organizational wizard in the OSS. Two other OSS organizers were American Richards, a Hawaiian pineapple millionaire, and James Grafton Rogers, a Yale law professor. Because of it, military decorum was not generally observed. There were so many over-eager subordinates that insubordination became a way of life. During the war, the OSS worked with many organizations in many countries. In 1947, during the Truman Administration, the U.S. Congress provided for the creation of a central intelligence agency. Donovan's dream had at last come true. For a detailed history of the OSS, see, R. Harris Smith, OSS, the Secret History of America's First Central Intelligence Agency, Berkeley: University of California Press, 1972. Also, William P. Head, America's China Sojourn America's Foreign Policy and its Effects on Sino-American Relations, 1942-48, Lanham, New York: University Press of America, 1983.

147. Tai Li, better known as the Chinese Hitler, was a protégé of Chiang Kaishek. He was also the leader of the Blue, a fanatically dedicated right-wing KMT faction whose central policy was support of Chiang and creation of a military totalitarian government. State Department China experts saw Tai Li's police as equivalent to Gestapo. Tai Li was so completely trusted by Chiang that he was the only man allowed to carry side arms while in the Generalissimo's presence. Tai had a mysterious reputation, particularly among the foreigners in China. His anti-foreign attitude was well documented. Tai Li held a particular hatred for the British because he had been arrested by the British in Hong Kong in 1941. Only the personal intervention of Chiang Kaishek saved him from a lifetime behind bars. Tai Li died in a plane crash in March, 1946. For details about Tai Li, see, R. Harris Smith, OSS, The Secret Military of America's First Central Intelligence Agency, University of California Press, Berkeley, 1972, pp. 245-285. Also, Schaller, U.S. Crusade, pp. 231-249.
148. Michael Schaller, U.S. Crusade, p. 232.
149. Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II, p. 203.
150. Milton E. Miles, A Different Kind of War, New York: Doubleday, 1967, pp. 116-19.

151. Grace Person Hayes, The History of the Joint Chiefs of Staff in World War II, p. 198.
152. Ibid., p. 203.
153. Michael Schaller, U.S. Crusade, pp. 236-240.
154. Ibid., p. 241.
155. Memorandum from the President from William J. Donovan, Director, OSS, 6th November, 1944. PSF Subject, Box-170, OSS Nov-1 to 15, 1944, FDR Library.
156. Ibid.
157. Memorandum for the President from William J. Donovan, 18th July, 1944, PSF-Subject, Box 168, PSF OSS Reports, April-July, 13th, 1944, FDR Library.
158. Ibid., p. 2.
159. Memorandum for the President from William J. Donovan, December 23, 1944. PSF Subject, Box 170, OSS, December, 1944, FDR Library.
160. Telegram from the Charge in China (Atcheson) to the Secretary of State, July 17, 1943, FRUS, 1943, China, pp. 429-33.
161. Arthur Young, China and the Helping Hand, p. 319.
162. Ibid., p. 321.
163. Letter from Wei Tau Ming to Henry Morgenthau Jr., December 15, 1943. (Conveying DT, H. H. King's telegraphic message to Morgenthau on the good effects of gold shipments from the U.S.), Morgenthau Diary, Book 687, pp. 211-12, FDR Library.
164. Memorandum by Harry D. White to the Secretary of the Treasury, Henry Morgenthau, Morganthau Diary, Book 846, p. 35, FDR Library.
165. From Joseph C. Grew, Acting Secretary of State to Henry Morgenthau Jr., May 16, 1945. PSF, Box 173, Folder: China, 1945, PSF Subject (Foreign Affairs), HST.
166. From Henry Morgenthau to T. V. Soong, May 16, 1945. PSF, Box-173, China, 1945, FSF Subject (Foreign Affairs), HST. See also, A. Young, China and the Helping Hand, pp. 382-336.
167. Report of Special Committee of Chinese Requests, June, 1945. PSF, Box-173, China, 1945, PSF Subject File (Foreign Affairs), HST.

168. For details about China's contribution under the reverse Lend-Lease agreement, see, Stilwell's Command Problems, p. 290-91, and E. R. Stettinius, Lend-Lease Wapon for Victory, p. 281.
169. Morgenthau Diaries, vol. 87, pp. 204-20, December 23, 1943.
170. Message from H. H. King, the Chinese Finance Minister to FDR, April 19, 1944. PSF Diplomatic, Box No-38, PSF China, 1944, FDR Library, p. 4.
171. "Resume of Chinese Exchange Situation," 19 May, 1944. PSF Diplomatic, Box-38, PSF China, 1944, FDR Library.
172. Ibid., p. 2.
173. Arthur Young, China and the Helping Hand, pp. 284-86.
174. Morgenthau Diaries, Vol. 695, pp. 272-80 and Vol. 696, pp. 25-28, January 24, 1944.
175. Ibid., Vol. 701, pp. 280-81, February 14, 1944.
176. Ibid., Vol. 798, pp. 203-248, November 25, 1944. Also in Vol. 810, p. 171, January 17, 1945.
177. "Resume of Chinese Exchange Situation," 19 May, 1944, PSF Diplomatic, Box-38, PSF, China, 1944, FDR Library, p. 5.
178. Arthur Young, China and the Helping Hand, p. 297.
179. Telegram from Gauss to the Secretary of State, September 16, 1944, No. 1566, Morgenthau Diaries, Vol. 772, FDR Library.
180. Herbert Feis, The China Tangle, p. 202.
181. Ibid., p. 206.
182. Arthur Young, p. 340.
183. Ibid., p. 350.
184. From H. H. Kung to Harry S. Truman, May 28, 1945. Papers of Harry S. Truman Official File, Box-632, File NO. 150 (1945-46), HST.
185. Arthur Young, p. 350.
186. Romanus and Sunderland, Time Runs Out On CBI, p. 65. (Washington D.C.: Department of the Army, 1959).
187. "Lend-Lease: As of September 30, 1945," Vol. II, p. 1140.

188. Ibid., pp. 241-247.
189. Arthur Young, China and the Helping Hand, p. 360.
190. For details about Munitions Assignment Committees' (Ground) decision, see "Lend-Lease: As of September 30, 1945," Vol. II, pp. 1139-1140.
191. Herbert Feis, pp. 296-97.
192. Albert C. Wedemeyer, Wedemeyer's Report!, (New York: Henry Holt, 1958, pp. 295-98, 322-26, 335-38.
193. Arthur Young, China and the Helping Hand, p. 361.
194. Romanus and Sunderland, Time Runs Out On CBI, pp. 394-96.
195. Romanus and Sunderland, Stilwell's Mission to China, p. 121.
196. Ibid., pp. 367-369.
197. Because of its location in "rebel territory" the United States Army Observer Group was informally called Dixie. See Michael Schaller, U.S. Crusade, p. 181.
198. United States Relations with China, p. 67.
199. Ibid., p. 561. According to Herbert Feis, Chiang, during a conversation with Gauss indicated that, "it would be useless if, in order to fight the Japanese-China were turned over to the Communists." Feis, The China Tangle, p. 176.
200. Michael Schaller, U.S. Crusade, p. 187.
201. Ibid., p. 190. About John Davies's reports on the Chinese Communists and the Policy he advocated for the United States to follow toward them, see, John Davies, Jr., Second Secretary of US Embassy in Chungking to Harry Hopkins. December 31, 1943. PSF Diplomatic, Box 38, Fol: PSF China, 1944, FDR Library. Also, Memorandum for the President (Subject Draft of Telegram to Ambassador Gauss) from John Davies, Jr., September 7, 1944. PSF Diplomatic, Box 38, PSF China 1944, FDR Library.
202. Senate Committee on Armed Services and Committee on Foreign Relations; Hearings on Military Situation in the Far East, 82nd Congress, 1st Session (1951) (Hereafter cited as Military Situation in the Far East, p. 3676.
203. Michael Schaller, U.S. Crusade, p. 197. And also, Tang Tsou, America's Failure in China, p. 178. Footnote no. 8 205.
204. Michael Schaller's U.S. Crusade, p. 199.

205. Joseph Grew to Patrick Hurley, January 23, 1945, FRUS 1945, VII, 181.
206. About the details of the decisions of the Yalta Conference regarding China, see Warren I. Cohen, America's Response to China, pp. 175-176. Also Tang Tsou, America's Failure in China, pp. 45, 71, 73, 123, 153-156, 249-252.
207. W. I. Cohen, US Response, pp. 176-177.
208. Michael Schaller, U.S. Crusade, pp. 217-218. Also Speech by Congressman Walter Judd, March 15, 1945, Congressional Record, Vol. 91, Pt 2 (1945), pp. 2294-2302.
209. About the changes perceived after FDR's death, Warren I. Cohen says, "For the Chinese Communists, FDR's death gave credence to the fiction that American policy had changed, that FDR's progressive policies toward China had been replaced by Hurley's reactionary policies." Cohen, US Response, p. 179.
210. 20th Report on Lend-Lease, June 30, 1945, pp. 24-25, Folder, Box, NARA, Suitland.