In Support of “New China”: Origins of the China Lobby, 1937-1941

Tae Jin Park

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ABSTRACT

In Support of “New China”:

Tae Jin Park

The “China Lobby,” a common term applied to groups and individuals aggressively seeking America’s political commitments to and financial aid for Chiang Kai-shek’s Guomindang (GMD) regime in China, came into popular use in the 1950's, especially as it fit into the highly volatile context of the Cold War. A closer investigation of this lobby, however, reveals that it originated not in the postwar turmoil of Cold War politics but a decade earlier in the equally difficult debate over the proper role of the United States during the “China Incident” of the late 1930's. Pro-Chinese lobbying and propaganda activities in America began in the 1930's as efforts to persuade Washington to render its long-term commitment to China, then a semi-colony struggling against the Japanese empire. Yet, the U.S. State Department maintained a policy that discouraged America’s long-term political commitment or substantial financial aid to China. What cannot be overlooked was the Roosevelt administration’s diverse and often secretive way of conducting foreign policy. It preferred to deal with China behind the scenes, given the prominent isolationist sentiments and anxieties Americans held on U.S.-Japanese relations. Thus, although the State Department was unwilling to approve official aid to China, negotiations over U.S. aid to China were conducted largely through “non-regular” channels of diplomacy until 1941. These ad hoc channels of diplomacy took hold during the “China Incident” of 1937-1941 when Washington found it difficult to support China openly against Japan and yet agreed to finance China’s war against Japan through subsidiary agencies of the Treasury Department and the Reconstruction Finance Corporation. At the same time, Washington allowed private American aid to flow to China on humanitarian grounds. This private support was accompanied by unofficial propaganda efforts that characterized China’s cause in terms of the struggle for a “New China.” Accordingly, lobbyists or publicists rather than the diplomats themselves played a major role in promoting Sino-American relations during that period. Yet, apart from the original intentions of the Roosevelt administration, these policies contributed directly to the formation of the China Lobby in America by 1941. In other words, the China Lobby grew as an offshoot of Roosevelt’s secret and often unconventional diplomacy that sought to keep China fighting Japan by supporting such low-risk measures as financial trade and propaganda rather than through open diplomatic commitment or political alliance. Tracing the influences on the U.S. government by individuals and organizations that in fact, if not in name, comprised a “China Lobby” in the prewar years, this study seeks to reveal that it was at least as powerful as the later one but, due to a Cold War emphasis on the “loss” of China in 1949, was never as well understood.
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A Note on Chinese Names

This dissertation uses the old Wade-Giles system to romanize the names of Chinese persons. The current Pinyin version may confuse the identities of persons in this study because their names, in either full or abbreviated form, in most English sources that this dissertation deals with had been recorded under the Wade-Giles system. For instance, Zi Wen Song is a Pinyin version of Tzu Ven Soong (Wade-Giles version), a figure commonly known as T. V. Soong in most English publications of his period. To avoid this kind of unnecessary confusion, this dissertation uses the Wade-Giles version to refer to personal names, because it was the common rendition at the time. However, the Pinyin system is used for other Chinese terms and locations, since they are clearly identifiable, with some exceptions for such familiar names as Canton (Guangzhou).
List of Abbreviated Names of Organizations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Name</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Aeronautical Affairs Commission</td>
</tr>
<tr>
<td>ABMAC</td>
<td>American Bureau for Medical Aid to China</td>
</tr>
<tr>
<td>AVG</td>
<td>American Volunteer Group (in China)</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
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<tr>
<td>CDFC</td>
<td>China Development Finance Corporation</td>
</tr>
<tr>
<td>CDS</td>
<td>China Defense Supplies, Inc.</td>
</tr>
<tr>
<td>CIC</td>
<td>Chinese Industrial Cooperatives</td>
</tr>
<tr>
<td>CIS</td>
<td>China Information Service, Inc.</td>
</tr>
<tr>
<td>CAMCO</td>
<td>Central Aircraft Manufacturing Corporation</td>
</tr>
<tr>
<td>CNS</td>
<td>Chinese News Service, Inc.</td>
</tr>
<tr>
<td>ECO</td>
<td>Export Control Office</td>
</tr>
<tr>
<td>EIB</td>
<td>Export-Import-Bank</td>
</tr>
<tr>
<td>GMD</td>
<td>Guomindang (Nationalist Party)</td>
</tr>
<tr>
<td>NCC</td>
<td>National Christian Council of China</td>
</tr>
<tr>
<td>NDAC</td>
<td>National Defense Advisory Commission</td>
</tr>
<tr>
<td>Price Committee</td>
<td>American Committee for Non-Participation in Japanese Aggression</td>
</tr>
<tr>
<td>RFC</td>
<td>Reconstruction Finance Corporation</td>
</tr>
<tr>
<td>TPNS</td>
<td>Trans-Pacific News Service, Inc.</td>
</tr>
<tr>
<td>UCC</td>
<td>United Council for Civilian Relief in China</td>
</tr>
<tr>
<td>UCR</td>
<td>United China Relief, Inc. (United Service to China)</td>
</tr>
<tr>
<td>UTC</td>
<td>Universal Trading Company</td>
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Introduction:
On the Origins of the “China Lobby.”

In August 1949, when much of China had fallen in the hands of the Chinese Communists, the U.S. Department of State released the “China White Paper” in an effort to justify its policy of disengagement from the beleaguered Guomindang (GMD) Government of Chiang Kai-shek. By emphasizing the fact that America was not responsible for the fall of the GMD regime, the State Department sought to mollify opponents of its China policy or at least to justify that policy to Americans in general. However, in the years to follow, the “China Lobby,” a coalition of pro-Chiang forces affiliated with the Republican Party, bitterly charged that the State Department had “betrayed” Chiang, America’s wartime ally, and launched campaigns to identify those allegedly responsible for the “loss” of China to the Communists.1 This “loss” of China debate, magnified by McCarthyism during the Korean War and the Cold War stand-off with the People’s Republic of China, in turn inspired journalistic and scholarly attempts to investigate the influence of this potent lobby in America.

The “China Lobby,” a common term applied to groups and individuals aggressively seeking America’s political commitments to and financial aid for Chiang’s regime, had come into popular use in the 1950's. Lacking coherent unity, the Lobby was represented by various people who had differing motives and varying degrees of interest in China. Famous members of the China Lobby included publisher Henry R. Luce, Congressman Walter H. Judd, Senator William F. Knowland, diplomat William C. Bullitt, aviator Claire L. Chennault, businessman Alfred Kohlberg, and lawyer William J. Goodwin. One of the focal points for much of writing about this lobby focused on its role in the “loss” of China debate, especially as it fit into the
highly volatile context of the Cold War. A closer investigation of this lobby, however, reveals that it originated not in the postwar turmoil of Cold War politics but a decade earlier in the equally difficult debate over the proper role of the United States during the “China Incident” of the late 1930’s, a debate on whether or not the United States should intervene in the Sino-Japanese conflict on the side of China. This dissertation is an effort to clarify the roots of the China Lobby and to demonstrate that its earlier emergence in the prewar period anticipated many of the tactics and arguments of the postwar years, and that many of the same individuals were active then as later.

Despite its overwhelming images as an anti-communist front in the postwar years, the China Lobby inherited various efforts to win massive American aid to Chiang’s regime beginning in the 1930's. The pro-Chiang “lobby” then worked in the face of an American government that featured deep divisions over U.S. policy toward the Sino-Japanese conflict, especially between the State Department of Cordell Hull and the Treasury Department of Henry Morgenthau. Initially, the State Department maintained a policy of neutrality toward the Sino-Japanese conflict, although it hoped to counter Japan’s expansion by encouraging China’s resistance to Japan. Yet, because the State Department was unwilling to provoke Japan by taking strong and consistent pro-Chinese diplomatic actions, China lobbied pro-Chinese officials in the U.S. government, especially in the Treasury Department, to pressure State to support China and abandon its policy of neutrality. Tacitly approved by the President, the Treasury Department eventually worked with Chinese financial agents to provide aid to China through channels outside those of conventional diplomacy. Meanwhile, American civilian friends of China launched pro-Chinese propaganda campaigns to pressure the State Department to act in support
of China against Japan. Since these propaganda campaigns were seen as risk-free means of encouraging China, the State Department tacitly endorsed them. Yet, over time, lobbyists and propagandists working for U.S. aid to China emerged as a pressure group.

Most studies of the China Lobby have focused on its seemingly shadowy activities in the postwar years and have generally concurred with a historical verdict that such a foreign lobbying effort with a strong domestic component had quite a negative impact on the conduct of American foreign policy. Some observers of the China Lobby have found in it an example of disruptive pressure politics. Scholarly works solely devoted to the Lobby seem often to have originated in the notion that, as a pro-Chinese lobbying force, it jeopardized the U.S. government’s foreign policy-making procedures and caused unnecessary partisan debates through secretive connections and illegitimate methods. Thus, such studies have focused on why America went wrong with such an unconventional form of pressure politics. A few studies, usually journalistic in character, have also questioned why the American public was seemingly so highly receptive to partisan and often unreliable views of China in the 1940's and thereafter. By analyzing public opinion trends, they have attempted to explain what caused Americans to become so emotional about China and how this public emotion about China was politicized.

The first comprehensive survey of the China Lobby appeared in two articles, published in back-to-back issues of the Reporter, a biweekly magazine, in the spring of 1952. These investigative articles, written by staff writers of the magazine, explained how a wide network between Chinese officials and American sympathizers of Chiang Kai-shek had been formed in the 1940's and how they sought to increase U.S. aid to Chiang’s regime and enriched themselves from that aid. These articles also laid the groundwork for later investigations which often viewed
the China Lobby in sinister terms. In fact, there had been a few sporadic calls for an investigation of pro-Chiang activities in the United States before 1950. Yet, the phrase “China Lobby” itself began to be popularized during Senate hearings in April 1950, held to investigate Senator Joseph McCarthy’s accusations that State Department officials and some experts on China had been involved in a pro-communist conspiracy to influence the Truman administration’s China policy. One of the targets of McCarthy’s charges, Owen Lattimore, a professor and former advisor to Chiang, declared in defense that he was a victim of the “China lobby.”

The phrase gained greater prominence in June and July, 1951, during the Senate hearings on Truman’s removal of General Douglas MacArthur from his command in Korea. The subject of the China Lobby was introduced, because MacArthur argued, in line with the China Lobby’s charges, that General George Marshall’s mission to China in 1945-1946 had been “one of the greatest blunders in American history.” Pro-Chiang forces had criticized Marshall for having attempted to force Chiang into a political alliance with the communists, and later, as Secretary of State, for having allegedly sabotaged U.S. aid to Chiang, therefore guaranteeing the “loss” of China to the communists. Secretary of State Dean Acheson refuted MacArthur’s allegations and countered them with an announcement that Truman had instructed all relevant government agencies to investigate the activities of the China Lobby. To support Acheson, Senator Wayne Morse of Oregon also called for a congressional investigation, expressing his concern about “the means that had been used by some, alleged to be illegal means, that constitute the reprehensible acts on the part of some who have sought to influence American foreign policy with respect to Chiang’s regime.” In response, pro-Chiang forces denounced Acheson and, together with some Republican members of Congress, demanded an investigation of “pro-communist” China lobbies.
The congressional investigation led by Senator Morse and others produced less than substantial findings. They added a special supplement to the *Congressional Quarterly, Weekly Report* on June 29, 1951, which identified a number of pro-Chiang and anti-Chiang forces in America. Yet, the China Lobby remained something of a mysterious entity, as the *New York Times* reported: “The China Lobby, despite references to it in and outside Congress, never has been presented in any tangible shape. Members of Congress interested in its operations have been able to refer only to the list of lobbyists registered with Congress.” By 1952, such additional findings as secret correspondence between the Chinese embassy and Chiang on their plans to influence U.S. policy were added to the public record. In the meantime, China Lobby forces, galvanizing the heightened voice among anti-communist crusaders in Congress during the Korean War, intensified their efforts to discredit the administration’s China policy and forestall the possible U.S. recognition of the People’s Republic of China. It was in the midst of this political climate that the *Reporter*’s articles provided the first comprehensive picture of the China Lobby’s operations from previous years.

Although the *Reporter*’s articles and subsequent studies viewed 1940 as the beginning of the China Lobby, Warren I. Cohen and scholars later traced pro-Chinese lobbying activities back to the 1930's. Still, they did not relate those activities to anything so concrete as the China Lobby of the 1940’s. It is the contention of this study, however, that there was as early as 1938 a definite effort which, in essence if not specifically in name, comprised an earlier manifestation of that lobby. In fact, the China Lobby can be broadly viewed as a continuing effort of Chiang’s regime to secure U.S. support for its cause against its foes from the beginning. The GMD’s lobby
for U.S. aid became visible after the mid-1930s when Japan was posited as its most daunting enemy, though in Chiang’s mind and calculations the communists always remained its prime enemy. In terms of the way it operated, the GMD’s lobby was a long-term and continuing effort. Therefore, it is necessary to look at the circumstances and events which inspired such early activities and preconditioned much of the later activities of the China Lobby.

In examining the origins of the China Lobby, this study recognizes that the Lobby operated in an unconventional manner and existed without any particular leader or organization at its center; yet, it exerted significant and continuing pressures on the U.S. government without going through regular channels of diplomacy. To quote Max Ascoli, the Reporter’s editor, the China Lobby was “so different from all other foreign lobbies,” because of “its hard core of fanatical full-time operators, its underground, its legion of naive, misled fellow travelers, its front organizations and its foreign officials, in Washington with diplomatic immunity, who dutifully report to central headquarters.” Yet, it had “no leaders, only mouthpieces,” even though “strong enough to cramp our national leadership.”14 One aim of this study is to examine how this pattern emerged and what possible diplomatic, administrative, and personal factors brought it into being in the first place.

Another major characteristic of the China Lobby was the way it propagated its arguments among the public. It appeared to have swayed a wide variety of Americans against the U.S. government’s policies toward China with propaganda that identified Chiang’s regime with American ideals and contended that Americans had a special responsibility for China’s development. Ascoli characterized this aspect of the China Lobby as follows:

As a matter of fact, there is something radically wrong with the Chinese Nationalist government--not that it carried on lobbying, but that it is little but a
lobby. Since the beginning of the war, the weakness of the Kuomintang on its home grounds has been offset only by the strength it has built up in Washington. It has always lived on credit with no collateral. Its leaders, lacking a real constituency among their own people, have been able to count mostly on their American constituency. This has put the China Lobby in a category all by itself, for it has always represented not a great nation but a regime playing at being a great power.”

The China Lobby remained strong because it was backed by “people whose idealism or naivete has been exploited by the Lobby or its fronts.” Indeed, the China Lobby became controversial for its seemingly extraordinary propaganda skill to discredit State Department officials and others in the name of “betrayal” and “treason.” In historian Ross Koen’s view, “the China lobby was so successful in securing [public] acceptance of its explanation of America’s role in the Far East,” because its propaganda exploited “the absence of an informed understanding of events in China” and “there was a precondition among the American people to accept an extreme explanation of events in China.” This view, that gullible Americans defended Chiang’s regime to the extent of accusing the U.S. government of betraying an American commitment to it, once echoed widely. This study will explore how this type of propaganda evolved in the 1930’s.

A new interpretation of the China Lobby can be radically different from old ones, because it indicates that the China Lobby was initially a substitute for regular Sino-American diplomacy. Pro-Chinese lobbying and propaganda activities in America began as efforts to persuade Washington to render its long-term commitment to China, then a semi-colony struggling against the Japanese empire. Yet, before 1941, American officials, especially in the State Department, considered China not deserving of America’s long-term political commitment or substantial financial aid. What cannot be overlooked was the Roosevelt administration’s diverse and often secretive way of conducting foreign policy. It preferred to deal with China behind the scenes,
given the prominent isolationist sentiments and anxieties Americans held on U.S.-Japanese relations. Thus, although the State Department was unwilling to approve official aid to China, negotiations over U.S. aid to China were conducted largely through “non-regular channels” of diplomacy until 1941.

These ad hoc channels of diplomacy took hold during the “China Incident” of 1937-1941 when Washington found it difficult to support China openly against Japan, though increasingly it felt it necessary to finance China’s “resistance” to Japan. Accordingly, lobbyists or publicists rather than the diplomats themselves played a major role in promoting Sino-American relations during that period. On the one hand, the Treasury Department implemented its own “diplomacy” toward China despite occasional opposition from the State Department. Under Treasury Secretary Henry Morgenthau, these actions resulted in the establishment of financial lobbyists working for U.S. aid to China in Washington and New York. On the other hand, Washington allowed private American aid to flow to China on humanitarian grounds. This private support, valued as a means of encouraging China’s resistance to Japan without worsening Japanese-American relations, was accompanied by unofficial propaganda efforts that were acquiesced in and even encouraged by the U.S. government. These propaganda efforts highlighted China’s cause in terms of American humanitarian ideals, namely, that America had a moral responsibility to “save” China from outside aggression. Yet, apart from the original intentions of the Roosevelt administration, these factors contributed directly to the formation of the China Lobby in the United States.

In other words, the China Lobby grew as an offshoot of Roosevelt’s secret and often unconventional diplomacy that sought to keep China fighting Japan by supporting such low-risk
measures as financial trade and propaganda rather than through open diplomatic commitment or political alliance. Thus, the China Lobby’s most prominent traits - its unconventional lobbying efforts to secure U.S. aid for China, its contentions that Americans had a special responsibility to save China, and its implicit attack on the State Department for failing to take American responsibility to save China - were all evident before the Pacific War began in December 1941.

In brief, the characteristics and patterns of the China Lobby were well developed long before it became known to many observers in the late 1940’s. By tracing the influences on the U.S. government by individuals and organizations that in fact, if not in name, comprised a “China Lobby” in the prewar years, this study intends to reveal the fact that it was at least as powerful as the later one but, due to a Cold War emphasis on the “loss” of China in 1949, was never as well understood.
Notes

1. The China Lobby has referred to a group of a variety of individuals who often led organized activities on behalf of Chiang’s government and criticized the Truman administration’s China policy usually in affiliation with the Republican Party. About the China Lobby’s rise in reaction to the Truman administration’s release of the China White Paper, see Nancy Bernkopf Tucker, *Patterns in the Dust: Chinese-American Relations and the Recognition Controversy, 1949-1950* (New York: Columbia University Press, 1983), 80-99, 183-94.


5. Political concerns over lobbying activities on behalf of the GMD in the United States emerged in the late 1940's when a small number of critics sought to counter the efforts of the pro-GMD forces to save Chiang’s bankrupt regime. In 1947, when Truman’s Greek-Turkish aid program was debated, a criticism emerged in the U.S. Congress regarding Chinese pressures on the State Department to secure further aid to the GMD against the Chinese Communists. In January 1949, the New York State Communist Party issued a warning of “a strong Chinese lobby” working for the “antidemocratic” GMD regime and called for a congressional investigation. After the State Department issued the so-called “China White Paper” to justify its hand-off policy toward China in August, charges and counter-charges on the China Lobby increased. Some called for an investigation of the pressures of pro-Chiang forces on the administration’s policy while others for an investigation of the influences of pro-communist (anti-Chiang) forces on it. See Koen, *The China Lobby*, 27-28.

6. Bachrack, *The Committee of One Million*, 5, 287-88; See reports on Lattimore’s case in *New York Times*, July 30, 1950: 1-2. Those affiliated with the China Lobby had inspired McCarthy’s famous charge in February 1950 that the State Department had been infiltrated by communist sympathizers, and his additional charges were backed up by the materials provided by Alfred Kohlberg and others. See Koen, *The China Lobby*, 122-25.


8. Ibid., June 10, 1951: 69.

9. China Lobby forces regarded the investigation order as “bluffing.” William Loeb, president of the American China Policy Association, the best-known pro-Chiang organization of the day, declared that “Acheson will go down history as the first Secretary of State to give away an entire continent [Asia] to our enemies” and “Acheson’s dark and veiled hints about a sinister China lobby would be just plain silly if they were not also viciously aimed at discrediting a fine group of patriotic Americans who have foiled his frightful plan.” Alfred Kohlberg, the most frequently identified China Lobbyist, responded by saying that “I know where the China lobby is--straight in the State Department.” See *New York Times*, June 10, 1951: 9. Chinese officials in the United States denied their involvement with China lobby forces and argued that American publicists received no money or other forms of support from their government and that they had simply been inspired by their “anti-Communist zeal.” See *Ibid.*, June 11, 1951: 1-2.


Chapter I
The “Salvation” of China and the “Fateful Enemy” of America:
American Perceptions of China and Japan to 1937.

One main source of the “China Lobby” phenomenon in the 1930's and 1940's was the popular idea that America, as a Christian and democratic country, had moral responsibilities to “save” China from either domestic downfall or foreign subjugation. Although this idea was more an ethos of American efforts to engage in Chinese affairs than a particular asset of American supporters for the GMD government in China, the China Lobby represented the last major group of Americans whose passion about China centered on this old idea. The “salvation” of China indeed epitomized traditional American views of China, reflecting America’s missionary legacy in China and the alleged Sino-American friendship under the Open Door policy. Although a thorough review of this potentially vast and complex historical subject is beyond this study, this chapter briefly surveys what had constituted American perceptions of China and Japan prior to the late 1930's, because the China Lobby, in terms of propaganda, began with organized efforts to galvanize American popular images of China and Japan on the stage of diplomacy. In particular, those Americans engaged in missionary activities in China and U.S. naval policies had played a key role in shaping dominant popular images of China and Japan until the 1930's.

The “Salvation” of China: The Role of Christian Missionaries

In the 19th century, American observers of Asia had usually viewed China and Japan with a sense of mission to subjugate or reshape “Oriental” societies according to Western norms. Because this “civilizing” mission was a common rationale of various Western activities in Asia,
most American observers of China shared such views with their European counterparts. Also, since American activities in China had grown in concert with those of the British and other Europeans with a shared desire in advancing commercial and religious interests in Asia, America’s own policy toward China had not yet assumed a distinctive character until late in the 19th century.¹ Yet, in 19th century America, East Asia served as a catalyst for a growing national vision that credited the American people with a divine, predestined mission to expand westward and spread God’s true messages among “heathens” across the Pacific. As the American need to define its national identity, when engaged with ethnic Asians in and out of America, increased, the idealized self-images of America as a country on a mission to spread the blessings of Western civilization among the backward Asians on the other side of the Pacific emerged.²

China provided American and European observers with the prototype of “Oriental” society to which Europeans had ascribed the images of political despotism, material splendor, and religious heathenism in Asia. After the Opium War of 1839-1842, Western observers increasingly characterized China with various new images of backwardness and slavery, which contrasted to the self-assured images of progress and freedom in the West.³ Politically, the prime function of these “Oriental” images was to justify Western intrusions in Asia with a rationale that Asian resistance or unresponsiveness to Western influences was due to the deficient and inferior characters of the Asian race.⁴ In terms of attitude, this civilizing mission was accentuated by a heightened sense of racial and cultural superiority. Following this pattern, American observers of Chinese affairs commonly imposed American standards on China as the universal measurements of civilization and often used racial images to explain Chinese resistance to America’s own civilizing mission in Asia.

14
Although most Americans were indifferent to Asian affairs, certain stereotyped images of “Orientals” served for those who wanted to shape foreign or immigration policies in favor of their interests. In general, concerns about Asian immigrants, though persistent at times, were usually sporadic and regionally-confined. By contrast, international issues provided a significant portion of population with constant stimuli to evoke Oriental images in relation to American national interests. Thus, negative Oriental images of an Asian people, whether it be Chinese or Japanese, usually emerged when the nation had international troubles with either country.\textsuperscript{5} When those seeking to influence the administration’s foreign or immigrant policies publicized certain Oriental images to lead domestic opinion against a particular Asian country or people, their opinion was often regarded as being national opinion once their causes were connected to a common picture of international relations.

It was the Chinese that evoked the most powerful racial images of Orientals to American as well as European observers, particularly because their refusal to conform to Western policies led to open hostilities in the 19th century. Thus, the images of the Chinese publicized by 19th century Western observers were almost entirely consistent with the imperialist aims of Western powers in China.\textsuperscript{6} To justify their intervention in China, Western observers used to attack the Chinese in terms of political tyranny, backwardness, and deceitful moral character, which in turn heightened the democratic, progressive, and morally superior self-images of the West. Although religion itself was not the prime motive for American intervention in China, Christian missionaries were responsible for the spread of Oriental images of the Chinese for reasons other than that they were the pioneers of American Sinology. In particular, they used to attribute the difficulties in converting the Chinese to racial and cultural differences.\textsuperscript{7} Faced with immense
cultural obstacles to their religious mission and nativist hostilities in China, they tended to attack Chinese culture and the racial characteristics of the Chinese people. The net result of their studied criticisms was the prevailing notion that the Chinese, being an Oriental race, were essentially alien and inscrutable to Western norms.

Missionary assessments of Orientals were heightened when the Christian mission was at the center of Sino-Western tensions during the latter half of the 19th century. From 1860 through 1900, the Christian mission in China’s hinterland continued only through the forcible enforcement of extraterritorial rights of foreign missionaries, which in turn led to a series of Chinese riots, diplomatic feuds, and concerted military interventions by Western powers. These negative experiences in China intensified such images of China as being a society of heathenism, fanaticism, treachery, cunning, cruelty, xenophobia, and other negative and inhuman elements. The role of American Christian missions in China has often been colored by a cherished notion that it was purely a benevolent cultural effort not closely connected with imperialist policies. In practice, under the “unequal” treaty system, the Christian mission was structurally inseparable from diplomatic issues, as the “gunboat diplomacy” often served to protect the missionaries.

A number of 19th century publications illustrate the prevailing missionary attitude toward the Chinese. S. Wells Williams and Arthur H. Smith, both prominent experts on China with long missionary careers, wrote two of the most extensive American surveys on the Chinese in the 19th century. As the most renowned observer of the first generation of American missionaries in China, Williams argued in his best-known book, *The Middle Kingdom* (first published in 1848), that the Chinese “prove the existence of a kind and degree of moral degradation of which an excessive statement can scarcely be made, or adequate conception hardly be formed.” Above
In fact, Williams was the person who pushed for the incorporation of the controversial section into the Tianjin Treaty of 1858 that stipulated the diplomatic protection of both Western and Chinese Christians. Yet, he claimed the diplomatic enforcement of the Christian missions in 1858-1860 in terms of God’s act: “Great Britain, France, the United States, and Russia, were, as representatives of Christendom, in the providence of God brought face to face with China, the representative of paganism.” In his final analysis, the West should shatter China’s “overweening pride” and save her from “indolence and seclusion” through Christian missions. Like Williams, many American observers saw China as an enemy of “Christian” or Western civilization, not of any particular Western nation.

Arthur H. Smith wrote his famous *Chinese Characteristics* (first published in 1894), the most widely read and influential American book on China until the 1920’s. Smith showed all the same attitudes toward the Chinese as Williams but in a less emotional manner: “It is not assumed that the Chinese need Christianity at all, but if it appears that there are grave defects in their character, it is fair [to] question how those defects may be remedied.” Yet, he thought that the fundamental fault of the Chinese was their unresponsiveness to Christian messages: “Its absolute indifference to the profoundest spiritual truths in the nature of man is the most melancholy characteristic of the Chinese mind.” Thus, no commercial, scientific, or industrial technology could save China, because the Chinese lacked the basic moral character of the Anglo-Saxon race that was based on Christian values. In his final analysis, “China can never be reformed from within,” but “only by Christian civilization.”

The attitude of Williams and Smith toward the Chinese, though colored with religious
tone, was typical. Prominent diplomats and officials, from Caleb Cushing in the 1840's through Henry L. Stimson in the 1930's, customarily viewed China in terms of the advancement of “Christendom” or “Christian civilization.” This heavy religious outlook on China indicates that China was not so much a military or political challenge as a cultural one. Also, it reflected the fact that America was not yet a major player in the international politics involving China. Initially, missionaries viewed China as a decaying Oriental civilization to which America offered “salvation” on behalf of Western civilization. The American mission in China was to make China realize the need to change along American lines and awake from her illusions of superiority to the West. The idea of “saving” China, originally derived from early Christian missionaries, was increasingly associated with various new American imageries of China as a “child” beginning in the 1890's. Chinese immigrants in America were also subjected to these images of being child-like, and were universally condemned as enemies to republican and free-labor society. Also, alternative impressions of their strong culture made some intellectuals warn of a “Yellow Peril,” though such dreadful images of the Chinese gradually declined after the passage of the Chinese Exclusion Act of 1882.

American missionary views of China contributed to two alternating views. One was that China could only be condemned as hopeless, and the other was that China could be saved if she chose to follow American examples. Favorable attitudes toward the Chinese were reserved for moments when they proved willing to accept the American offer of salvation and thereby become pupils of America. In either case, the bottom line was that China was inferior to Western civilization whose cutting edge was America. All in all, the Christian missionaries’ strong will to change Chinese civilization, their emotional outlooks of the Chinese, and their zealous search
for signs of Chinese conformity to American standards translated themselves into major
components of the American image of the Chinese in the 20th century.\textsuperscript{26} Despite much criticism
of China, however, many Americans were disposed to help the Chinese, since, as Christians, they
maintained goodwill toward the Chinese in the end.

Unlike China, Japan did not continue to resist the “civilizing mission” of the West.\textsuperscript{27} Japan’s eventual willingness to conform to the policies of Western countries and her eagerness to learn from Western cultures restrained American observers from seeing late 19th century
Japanese as identical to the Chinese.\textsuperscript{28} Even though the number of Japanese Christian converts
remained small, American missionaries were respected as teachers of Japanese youths and there were no significant anti-Christian riots in Japan after the Meiji Restoration began.\textsuperscript{29} Thus, the Japanese were often regarded as good pupils of Western cultures. Also, due to their small population in America, Japanese immigrants posed no domestic source of trouble until late in the 1890's.\textsuperscript{30} As a result, American self-images of progress, honesty, enlightenment, intelligence, and other positive elements were sometimes associated with American descriptions of the Japanese. In foreign policy, Americans in general supported Japan’s position \textit{vis-a-vis} China’s in the late 19th century, as in the case of American support for Japan in her war with China in 1894-1895. Likewise, American public opinion favored the Japanese in their war with the Russians in 1904-1905. Until then, the Japanese were portrayed positively in contrast to the Chinese, as a 1904 survey of racial perceptions concluded:

\begin{quote}
The Chinese are today regarded by many, particularly by the southern whites, as the most repulsive of races in physical appearance -- more shocking to the sensibilities than the negro even. The Japanese, on the other hand, are also a yellow race and have all the physical marks of aliens, but contact with them has revealed a surprising fund of both charm and ability, and it is an interesting fact
\end{quote}
that they have many enthusiastic white admirers, and that the sympathy of a large part of the white world is with them in their war against a white group.31

In short, the strength of the favorable images of the Japanese as American pupils offset that of the racial images of the Japanese as Orientals. This also suggests that Japan’s foreign policy, at least in appearance, was not incompatible with that of America until then.

The “Salvation” of China: The Role of the Open Door Policy

After the Spanish-American War of 1898 and the acquisition of the Philippines, American foreign policy underwent a fundamental change with an expanded American role in the Pacific and Asia. The announcement of the Open Door policy in 1899-1900 apparently distinguished American policy toward Asia from that of a host of European colonial powers in the sense that America, unlike other powers, would not forcibly infringe on China’s territorial and administrative integrity.32 Combined with the earlier missionary outlook, the notion that America had a special “duty” or “obligation” to save China’s territorial and administrative integrity from the onslaught of imperialist foreign powers emerged as a popular version of the Open Door policy. This condescending notion was accentuated by the growing perceptions of Japan as America’s “destined” enemy in the Asia-Pacific region after Japan’s victory in the Russo-Japanese War of 1904-1905. Roughly from that point, American images of Oriental pupils increasingly shifted from Japan to China. Accordingly, the Chinese began to be portrayed as wards to be protected and the Japanese as outgrown Oriental enemies to be watched.

In theory, the Open Door policy was to save the established unequal treaty system in China from being replaced by a system of spheres of influence dominated by non-Anglo-
American powers, especially Japan and Russia. Stated somewhat differently, it was a policy to oblige those powers to allow Americans to have equal access to their parts of China. China’s “integrity” was valued in rhetoric because it was useful as a legal basis from which America could pursue its goals in China without being blocked by other powers in China. Because the Open Door policy was essentially a device to “open” China to foreign powers, not a measure to protect China’s sovereignty, it did not actually function to guarantee American actions to help preserve China’s integrity. Likewise, U.S. officials did not support China’s efforts to gain independence from foreign powers, because U.S. interests in China were tied to privileges derived from the unequal treaty system.

However, the popular rationale behind the Open Door made it a quintessential American policy as well as a manifestation of American goodwill toward the Chinese. To validate the Open Door policy, it was necessary to frame the images of China as a country yearning for American “salvation” or “protection,” regardless of Chinese intentions. Although turn-of-the-century claims for China’s great commercial and religious potential had little substance, businessmen and missionaries still needed to speak for China’s great possibilities to gain support for their future work in China. In fact, many American civilians increasingly joined missionary institutions in an effort to help modernize China. These efforts in China became the main source of reshaping the images of China in connection with American “altruism.” Favorable images of China, which were actually “pupil” images, were reserved for the success of these “altruistic” American activities in China and the overall Chinese reaction to these activities.

One good example of how the earlier missionary outlook of China’s “salvation” became linked to American efforts to modernize China under the Open Door policy was the remission of
the Boxer Indemnity for Chinese education in 1909, long marked by commentators as the most significant historical proof of American altruism toward the Chinese. Interestingly, the idea of using the war indemnity from China for American education of Chinese students was due to S. Wells Williams and Arthur H. Smith. Williams had first suggested such an idea in the 1850's, and Smith, spokesman for missionaries, tried in 1906 to persuade President Theodore Roosevelt to spend the indemnity surplus from the Boxer Rebellion for missionary education of Chinese youths.\(^3\) It is not accidental that the most widely recognized American action of benevolence toward China originated in the ideas of the missionaries who had provided most characteristic Oriental images of the Chinese. They had based their approval of the Chinese on prospects for the Christianization of China. Once backed by the visions of the Open Door policy, the missionary community turned to active support of China’s road to salvation.

To political leaders and diplomats, however, the Open Door policy was primarily a diplomatic strategy against Japan and other great powers in China.\(^3\) President Roosevelt and State Department officials accepted appeals for the Boxer remission only after making various political calculations. Thus, the Chinese ambassador, together with missionary supporters, had to lobby government officials and members of Congress for several years.\(^4\) A most powerful political factor in the administration’s final decision was the emergence of Japan as a potential enemy in the Asia-Pacific region. The decision to use the Boxer indemnity for educating Chinese students was linked to a consideration that Americans needed to offset Japanese educational efforts in China.\(^5\) American observers suspected that the Japanese in China, after the Russo-Japanese War, were trying to dominate educational and publishing institutions there in an effort to disseminate political propaganda of “Asia for Asiatics” toward the Chinese.\(^6\) To secure an
American foothold in China, Americans needed to compete with the Japanese to win Chinese friendship. Yet, America’s cultural diplomacy toward China with its avowed altruism was by no means unique, because Japan also accelerated her own programs in China after the late 1890's under her rhetoric of a “civilizing” mission. Later, in 1923, Japan, alarmed by the expansion of American cultural activities in China, also decided to use her share of the Boxer indemnity to finance her cultural and educational programs in China.43

During the first three decades of the 20th century, the missionary images of the Chinese were enriched by the Open Door policy. Americans engaged in missionary activities in China tended to portray the Chinese in favorable terms since their role as teachers and reformers seemed increasingly validated.44 Accordingly, they showed a paternal sympathy toward the Chinese and occasionally praised the pupils’ potential virtues in relation to their mission. However, such images of the Chinese developed only slowly and then largely within the missionary community. Most Americans still viewed the Chinese as backward, chaotic, weak, strange, sinister, cunning, and mysterious Orientals. U.S. political and commercial interests in China were so meager that Americans’ sympathy for the Chinese remained subordinate to public indifference.45 To many observers, China’s development was uncertain and chaotic. The Chinese appeared to be hopeless, not because they rejected the American offer of salvation but because they seemed, in spite of their aspirations, not yet mature enough to embrace modern civilization. Thus, many observers chose to wait for China’s “awakening.” Politically speaking, the very notion that America needed to protect China reflected not so much a Sino-American friendship as a common rationale of imperialism.46 It was not unnatural to apply such logic to China, a semi-colony, over which America, Japan, and other powers contended. In all practical sense, it
was Japan, not China, that determined the direction of the Open Door policy.

**Japan as the “Fateful” Enemy: The Role of the U.S. Navy**

Unlike China, Japan had emerged as a “legitimate” modern state and as a major player of international politics by the 1890's. After Japan’s decisive victory in the Russo-Japanese War of 1904-1905, however, images of Japan as an Oriental empire driven by militaristic and sinister ambitions increasingly dominated American opinion of Japan. At least three interrelated factors inspired such images of Japan. One was the increasing role of the U.S. navy in American foreign policy toward Asia and the Pacific. Naval strategists increasingly viewed Japan as an inevitable enemy in the Pacific. Combined with this strategic outlook was the ominous realization that Japan was the major exporter of Oriental immigrants to America after the 1890's. Finally, Japan’s growing domination over the Asian mainland threatened the Open Door. Japan’s encroachment on China stimulated American images of Japan as the abuser of America’s designated pupil and as the enemy of the Open Door policy. As a result, American images of Japan and China tended to become polarized after the early 20th century.

Japan’s downfall in American opinion was rooted in her becoming America’s prime strategic enemy in the Pacific. Negative images of Japan before 1941 were inspired by this fundamental strategic reality. A first significant sign of the Japanese menace emerged in 1893 when a Japanese cruiser arrived in Hawaii for the purpose of protecting Japanese residents from the turmoil of a revolution there. In 1897, Theodore Roosevelt and Alfred T. Mahan, architect of American naval policy, planned to annex Hawaii and called upon the Naval War College to prepare a war plan against Japan. Through the Spanish-American War of 1898 and the Open
Door announcements of 1899-1900, America embarked on its imperialist policy in the Asia-Pacific. Following the Russo-Japanese War of 1904-1905, governmental officials, popular writers, the Hearst newspapers, and various civic groups on the West Coast began to fortify Yellow Peril images as chief rhetorical vehicles of the anti-Japanese movement. Almost all anti-Japanese propaganda in America after that point assumed the growing possibility of an international conflict between America and Japan.

By and large, the images of Japan, the enemy, reflected the self-images of America as the supreme naval power in the Pacific. It was the U.S. navy that almost consistently portrayed Japan as the fateful enemy during the first four decades of the 20th century, because such a view of Japan rationalized the mission of the U.S. Pacific fleet. Therefore, Roosevelt, though siding with Japan vis-a-vis Russia and China, used the fear of Japan to push his naval building program through Congress. Diplomatically speaking, Japan’s expansionism might be diverted toward Korea, Manchuria, and Russia. Thus, Roosevelt and his diplomats tacitly approved Japan’s domination in the northeastern part of the Asian mainland in return for the status quo in the Pacific. For the next three decades, American policy in Asia sought a balance of power between Japan and Russia over the northeastern part of the Asian mainland, while keeping a firm position against Japan’s expansion in China proper, Southeast Asia, and the Pacific Ocean in loose cooperation with Britain and other European powers.

The navy’s strategic planning for war against Japan, which had begun in 1897, inspired new racial images that characterized the Japanese as a militaristic and deceptive people. Social Darwinism, widely used to justify expansionist foreign policies, had much deeper and longer effects on the U.S. navy than on any other institutions in America. Thus, Darwinian concepts of
the struggle for racial supremacy, particularly between America and Japan, almost thoroughly indoctrinated the officer corps of the U.S. navy until the 1930's. As a result, the derivatives of such racial images as warlike and deceitful traits increasingly dominated American opinion of the Japanese. During the 1920's and 1930's, the basic war plan with Japan was driven more by emotional expectations of racial conflict than by articulate policy planning.

Popular opinion of Japan was increasingly shaped by the image of Japan as America’s future naval enemy. Negative Oriental images previously applied to China were increasingly applied to Japan in the form of “Yellow Peril” rhetoric. The “Yellow Peril” theory gained a real popularity in association with anti-Japanese immigrant agitations on the West Coast. Unlike the anti-Chinese agitation, the anti-Japanese activities on the West Coast were fueled by views that Japanese immigrants were deliberately being sent into America as a part of Japan’s expansionist foreign policy schemes. Therefore, the limitation of Japanese migration after the Gentlemen’s Agreement of 1907 did not necessarily reduce anti-Japanese sentiments because the issue of immigration itself was neither original nor central to American anti-Japanese sentiment. Even the passage of the 1924 Immigration Act, which virtually ended legal immigrants from Japan, did not significantly alter American attitude toward the Japanese. The issue of Japanese-Americans was subordinate to the international rivalry between America and Japan. Thus, a study in 1929 pointed out that the issue of Japanese assimilation always shifted to “one of international relations involving economic and political problems of all sorts.”

The theme of the inevitable war with Japan was increasingly connected to the Open Door policy. Like the immigration issue, the Open Door policy was linked to American naval outlook. Strategically, a chief function of the Open Door policy was to counterbalance a Japanese foreign
policy that would seek to bind all Asians under her leadership against the West. According to various Yellow Peril theories emerging after the Russo-Japanese War, Japan was expected to expand her empire over China and to challenge the West.\textsuperscript{58} Thus, it was necessary to play China off against Japan, while maintaining Anglo-American naval supremacy in the Asia-Pacific. To rationalize the Open Door policy, Japan had to be portrayed as an aggressive power threatening both American and Chinese interests, and China had to be portrayed as a pitiful country begging for a protection from America. Such Oriental images as cruelty, disregard for life, and cunning were commonly ascribed to both China and Japan. However, the Chinese images of backwardness, incompetence, disorder, corruption, cowardice, and lack of patriotism were contrasted to the Japanese images of belligerence, bravery, order, capability, and strong nationalism.\textsuperscript{59} Images of the Chinese and Japanese increasingly diverged because of the needs to validate the Open Door policy. China became the needy victim; Japan, the nasty villain.

It was World War I and the Washington Treaty system that transferred the Japanese menace into the international arena, especially because the German threat had declined. To counter Japan’s expansion in China and the Pacific during and after the conflict, the Washington Conference of 1921-1922 rearranged the balance of power in East Asia. It basically replaced an earlier Anglo-Japanese alliance against Russia with a new Anglo-American strategic cooperation against Japan. In 1922, the Naval Limitation Treaty placed Japan’s naval capacity in capital ships at a 60\% tonnage ceiling of that of either America or Great Britain. Also, the Nine Power Treaty obliged signatories, including Japan, to “respect the sovereignty, the independence, and the territorial and administrative integrity of China.”\textsuperscript{60} After 1922, the Open Door policy was clearly linked to an Anglo-American naval cooperation against Japan, which justified Japan’s image as
the fateful enemy of Anglo-American powers. The U.S. navy hired a propagandist to counter the pacifist climate of the 1920's and even to boycott a further agreement between America and Japan over tonnage ceiling of cruisers at the Geneva Conference in 1927. Japan’s threat to the Open Door policy, coupled with her venture in Manchuria, became a main source of negative American perceptions of Japan by the early 1930's.

The Sino-Japanese Conflict and New Images of China

In the 1930's, the Sino-Japanese conflict forced itself on the American consciousness with renewed images of the Chinese and Japanese. Because of growing Japanese aggression in China, a large portion of the American population came to perceive the need to distinguish between the Chinese and Japanese. In February 1932, five months after the outbreak of the Manchurian Crisis, John Franklin Carter, an economic specialist in the State Department, warned Stanley Hornbeck, Chief of the Far Eastern Division, of some important implication of American popular opinion toward Japan:

For at least twenty-five years the people of this country have regarded Japan as a natural and inevitable enemy of the United States. We are afraid of Japan as a people and hence we are apt to hate the Japanese and are ready to suspect the Japanese. The events of the last five months have reinforced this fear and hatred until it is astonishing how many people one casually meets in all walks of life who spontaneously talk war with Japan. . . . From the emotional point of view the Chinese have American sympathy, they are the ‘under-dogs,’ and we are quite likely to flame up with moral indignation against Japanese aggression, in a form that the Administration will find hard to resist.62

The Manchurian Crisis of 1931-33 convinced many Americans that Japan was a militaristic and aggressive nation. From the early 1930's on, the U.S. press, except for a few pro-Japanese papers, almost universally condemned Japan’s actions in China.63 As Japan disappointed and angered
Americans, China received sympathy as the underdog, though such an attitude remained sporadic until 1937. Japan’s menace, imagined or real, was central to American perceptions of the Far Eastern situation in the 1930's. Yet, American policy toward China and Japan remained passive in that decade, because American political and commercial interests in China did not justify confrontation with Japan. Geopolitically, Japan’s control over Manchuria served as a bulwark of Soviet communism in Asia. In trade, Britain and Japan ranked first and second as buyers of American exports, while China was only seventh. Trade with Japan was at least twice as large as that with China. In actual amount of capital investment and trade, China remained of minor value to America. Reflecting such political and business interests, the U.S. government opted to warn Japan of her outright challenge to the Open Door principles but not to aid China at the expense of deteriorating American-Japanese relations.

The awkward posture of the U.S. policy in the 1930's was that it condemned Japan’s violations of international treaties while acquiescing in her expansion in China. In early 1932, Secretary of State Henry L. Stimson issued a diplomatic note, known as the “non-recognition” doctrine, stating that America would not recognize territorial changes brought about by force in violation of international treaty obligations. Yet, he recalled in his memoir that this doctrine “was designed originally less as a method of bringing the Japanese to reason than as a method of reasserting the American conviction that no good whatever could come from the breach of treaties.” Neither the U.S. government nor the public was willing to confront Japan over Manchuria. Rather than estranging Japan further from the established international system, Washington limited its aid to China. In practice, Washington took a wait-and-see attitude in hopes that the Sino-Japanese conflict would be settled without America’s involvement.
Yet, U.S. naval rivalry with Japan continued. After the Washington Conference, the Geneva Conference of 1927 sought to extend the tonnage ratio to other categories than capital ships. It failed. The London Conference of 1930 eventually set the ratio of 5:3:3 on other than capital ships between Britain, America, and Japan. Between 1930 and 1933, Japan’s actual appropriation for new naval ships declined from $40.8 million to $26.9 million. However, in June 1933, President Franklin D. Roosevelt embarked on a $238 million naval building program, the largest single program by any nation in the interwar period.69 By 1934, the U.S. government announced a naval building program with annual costs of $76 million and alarmed Japan by opening diplomatic relations with the Soviet Union. Japan had already withdrawn from the League of Nations. In addition, in December 1934, Japan gave a two-year notice that she was terminating the five-power naval agreement made at the Washington Conference. As a result, after 1936, the naval race with Japan moved into a stage of unchecked competition. In 1936-1937, nearly three-fourth of the books reviewed at the Naval War College dealt with Japan’s “menace.”70 Accordingly, naval cooperation with Britain gradually increased.71 However, cooperation with China was not yet considered essential.

Meanwhile, American residents in China, especially those with missionary backgrounds, made efforts to project American self-images onto the Chinese people and the new Chinese government, installed at Nanjing in 1927, which appeared most promising and pro-Western since the fall of the Qing dynasty in 1911. As indicated earlier, due to the legacy of Christian missions, Americans in China tended to be highly positive about any signs of Chinese willingness to conform to American cultural standards. Chiang Kai-shek, head of the Nationalist government, converted publicly to Christianity and publicized what he claimed was China’s progress toward
Western-style democracy in order to secure American support against Japan. The missionaries and their secular colleagues, including journalists and writers, began to portray the Chinese as a people akin to Americans, particularly in the hope that the new Chinese leadership was moving closer to Western norms. Some American observers now turned to “democracy” as well as “Christianity” for their projection of American images of China, since they now considered democracy in China a sign of China’s acceptance of American standards.

Pearl S. Buck epitomized the new generation of China watchers in the 1930’s. Her populist, secular approach to American discussions about China helped spur new, more positive images of China. Through her novels and magazine articles, she associated the Chinese with such positive traits as pacifism, fortitude, courage, energy, intelligence, honesty, rationalism, democracy, and individualism. These images were the opposites of the old Oriental images and were consistent with American self-images. Buck also refused to characterize the Chinese within the typical ideological framework in which positive aspects of Chinese affairs were explained in terms of America’s missionary effort. Thus, some Christian readers criticized her popular novels, such as *The Good Earth*, for lacking the missionary point of view. However, Buck contended that the typical American Christian missionaries in China were “so lacking in sympathy for the people they were supposed to be saving, so scornful of any civilization except for their own, so harsh in their judgments upon one another, so coarse and insensitive among a sensitive and cultivated people that my heart has fairly bled with shame.”\(^7\) Her critical attitude toward the Christian missionary community in which she had grown up reflected the growth of secular perspectives on Chinese affairs in the 1920’s and 1930’s.

Pearl Buck’s celebration of the Chinese common people challenged the widely-held
images of the Chinese as morally inferior, cowardly, and sly. In particular, she stuck to a notion that China was the oldest-surviving agrarian democracy and emphasized that the ordinary Chinese people were, like their American counterparts, democratic and individualistic. In a speech in July 1935, she declared that the Chinese were “the most democratic-minded people in the world” and “developed in a high degree the notion of individual rights and freedom.” “Nothing could be farther from the truth,” she added, than “the very common belief in the West that the Chinese is inscrutable, sly, secret.” However, she drew a sharp line between the Chinese and Americans on the one hand and the Japanese on the other: “The reason why we do not like Japan as well as China is because the Japanese are emotionally different from ourselves” and “because China and the United States are so much alike.” The gist of her discussions on national character was that the Chinese, unlike the Japanese, shared a many similarities with Americans in view of ethos, geography, and institutions. Not surprisingly, her characterization of the Chinese as a democratic-minded people helped validate a popular rationale of why America should sympathize with China in her struggle against Japan.

Buck’s writings may have popularized her versions of the Chinese among numerous Americans. The Good Earth, a best-selling book in 1931, became a Broadway play in 1933 and an Academy Award-winning film in 1937. Her role as a spokesman for China was reinforced after she won the Nobel Prize for literature in 1938. Her characterization of the Chinese as a democratic-minded people akin to Americans was echoed by other writers such as Lin Yu-tang. Although Chinese, Lin was a popular writer in America. His two best-selling books, My Country and My People (1935) and The Importance of Living (1937), were the first non-fiction works on Chinese culture with nationwide popularity in America. In them, Lin emphasized that the
Chinese were, due to their own culture, essentially democratic, individualistic, humanistic, and pragmatic. No comparable voices arose on behalf of the Japanese in the 1930's.

Although individuals like Pearl Buck and Lin Yu-tang tried to humanize and enhance the images of China and her people in terms of American values, the vast majority of the American people remained indifferent to Chinese affairs before Japan’s invasion of China after July 1937 became familiar headline news. Yet, in an article surveying American teaching materials on Asian history in 1935, historian William R. Shepherd aptly summarized the commonly-held images of China and Japan as follows:

Similarly, China passes from a conventional representation of the calm, imperturbable and changeless [Orient], where from the beginning of time people have done the same things in the same way and always in topsy-turvy fashion, to one suggestive of a vast country replete with untold potentialities, tenanted by the most numerous, most enduring and most industrious folk on earth, who are going through a process of adaptation to forces that may convert them ultimately into a nation of incalculable influence upon the future of mankind, or else cause them to lapse into chaos. Japan comes forth as a pleasing, innocuous, efflorescent fairy-land, where nature and man strive to create the picturesque and charming, only to turn into a grim, ferocious Asiatic world-power, equipped with every device and mechanism indicative of demoniac strength and purpose--the veritable embodiment of the ‘Yellow Peril,’ abounding in menace, bent upon conquest.

By the mid-1930's, the images of China as a “good earth” full of potential and those of Japan as the embodiment of an Oriental menace seemed to have been well established.

The GMD Government in China and American Viewers

A key factor for Americans viewing China in the 1930's was the relationship between the GMD government in Nanjing and the United States. Founded in 1927, the Nanjing regime cultivated friendship with American residents in China, especially missionaries and journalists,
to strengthen its ties with America. When its leader Chiang Kai-shek converted to Christianity, his action inspired a new vitality for Christian missionaries in China, a community which had suffered setbacks during the 1920's. In return, many missionaries rendered loyal support for Chiang, taking part in his government programs, especially in regard to educational and medical services. In the 1930's, a number of missionaries actively participated in the GMD’s rural reconstruction program, which was implicitly designed to offset communist expansion, and its New Life Movement, which was fueled by Confucian and Christian doctrines. Ideologically, they were disposed against Chiang’s communist enemies who spread “Godless” doctrines and the Japanese who preached the doctrine of “Asia for Asiatics.” In short, they looked upon Chiang as the leader who would defend their interests in China. Conversely, Chiang used them as a source of propaganda, spreading the view that his regime was fighting to protect Western legacies in Asia from either the communists or Japanese imperialists. Clearly, missionaries constituted the most ardent wing of Chiang’s American supporters. Accordingly, their pro-Chiang bias was occasionally expressed by the Christian press in America.

In the meantime, American journalistic reports about Chinese affairs increasingly took the lead in shaping American popular understanding of China. Like the Christian mission, American journalism in East Asia grew initially as a collective venture of a few Western countries. In ethos, many American journalists in Asia had a sense of mission for interpreting Asian affairs for the people in the West and bringing Western ideas to Asia, though their ideals were usually expressed in the name of “democracy” rather than “Christianity.” Before World War I, America’s journalistic presence in East Asia was small, relying on European international news agencies, especially Britain’s Reuters, for news sources. World War I taught the value of overseas
propaganda and inspired a U.S.-Japanese rivalry over China. As a result, the publicity role of private American institutions in China was extended during the 1920's.\textsuperscript{81} Publishing and news agencies in China, owned or directed by Americans, gained importance in that context. Backed by the expanding American telegraph and radio networks overseas, American-led international news agencies, such as the Associated Press (AP) and the United Press (UP), increasingly dominated the international news coverage of East Asia in the 1930's.

Thomas F. F. Millard, known as “dean of American newspapermen in the Orient,” had created the first modern-style journals operated by Americans in China, the \textit{China Press} (1911) and \textit{Mallard’s Review of the Far East} (1917, later renamed the \textit{China Weekly Review}), backed by the University of Missouri and Charles Crane, once President William Howard Taft’s appointee as minister to China.\textsuperscript{82} The University of Missouri, America’s first school with modern journalism courses, provided a host of talented journalists who would work in Asia. Many, like Carl Crow and John B. Powell, built their early careers in China under Millard’s stewardship, while working for particular American or European news agencies. During World War I, Millard, Powell, and Crow managed the Creel Committee in China in an effort to counter Japanese propaganda.\textsuperscript{83} As a result of the Creel Committee, America’s first state-run propaganda network, American news was regularly placed in hundreds of Chinese newspapers during the conflict.\textsuperscript{84} After World War I, they worked occasionally as lobbyists on behalf of the Chinese government at the Versailles Conference, the Washington Conference, and for U.S. legislation favoring China.\textsuperscript{85}

As they reflected Sino-American friendship, these journalists emerged as staunch defenders of the Nanjing regime, especially against the communists and the Japanese. Although younger American journalists who came to China in the 1930's occasionally criticized Nanjing
from fresh political perspectives, most American journalists were inclined to defend Nanjing on issues involving Japan or Chinese communism. Most American journalists were predisposed against communism in particular. Also, a few chose to participate in Chinese activities sponsored by the Nanjing regime. Most active American reporters on China in the 1930's were young, in their twenties and thirties, and inclined to be idealistic. Prior to the Sino-Japanese conflict in 1937, however, regular foreign correspondents from American newspapers had not yet appeared in large numbers in East Asia.

Both in China and in Japan, American journalists and news correspondents faced similar problems that constrained their professional efforts to provide accurate and objective reports. Because only a few American news reporters could read and write the native languages, most employed native assistants to gather news and translate materials. Thus, the natives' biases were common. In Japan, the language barrier was so severe that American reporters gathered news primarily from the Japanese newspapers through their Japanese assistants. Alternatively, they relied on Japanese or British news agencies. Major Japanese news organizations, such as the Shinbun Rengo and Nihon Denpo agencies, regularly transferred propaganda materials, issued by the Japanese Foreign Ministry’s Public Information Division, to Reuters, the AP and UP. In 1936, the Rengo and Denpo agencies merged into the Domei agency which began monopolizing the distribution of Japanese news to foreign news agencies. Following the outbreak of the “China Incident” in 1937, the Domei was subjected to official wartime censorship designed to prohibit any publication harmful to Japanese national interests. Yet, few American journalists in Japan had a command of Japanese and few had either finished college or had a long-term commitment to their journalistic profession in Japan. As a result, news reports from Japan were often
regarded as unreliable by editors at home.

Conditions in China were no better than in Japan. Japan at least had tolerated a certain amount of journalistic freedom before the “China Incident” in 1937. By contrast, China’s communication system was primitive, and Nanjing’s news censorship was among the worst. In the mid-1930's, Lin Yu-tang deplored the fact that “there is less freedom of speech or publication than in any period from 1900.” The GMD kept 2,500 political prisoners in Nanjing alone and managed a total suppression of publications on any “leftist” idea within its jurisdiction. According to journalist Edgar Snow, Chiang’s suppression of civil liberties was equivalent to Hitler’s. In particular, China’s censorship ruled out any news “unfavorable diplomatically to our country, regardless of whether it is confirmed or unconfirmed.” Before 1937, Chiang had banned anti-Japanese publications in China to appease Japan. Dispatches of news abroad were also subjected to severe censorship. In addition, foreign correspondents were usually kept under surveillance by the police or those who were disguised as their “assistants.”

Despite all the shortcomings prevailing in China, American journalists there tended to enjoy their experiences. China’s semi-colonial international stance and her backward domestic conditions made them more psychologically secure and sympathetic than in Japan. The situation of American reporters in China was somewhat casual and relaxed, particularly because they held extraterritorial privileges. Autonomous Western communities in China’s treaty ports provided a unique environment where they felt free and superior as foreigners. Many nurtured sentimental attachments to China because of such conditions. Naturally, their experiences in China were validated as sources of first-hand knowledge of China. In the same context, many American journalists in China regarded themselves as romantic adventurers. Yet, once combined with a
popular view that Americans had a special claim to help shape China’s developments in their images, such adventurism could result in very subjective portrayals of Chinese affairs.96

Many American journalists also maintained cordial relationships with GMD officials. The majority of these journalists were graduates of the University of Missouri who maintained strong ties among themselves. They included Chinese, like Hin Wong, who served as Nanjing’s publicity official. Wong, the first Chinese graduate of Missouri, worked as a correspondent for Chinese and American news agencies and newspapers such as the AP and the Chicago Daily News.97 He was popular among Western journalists in China, as editor of the Central China News Agency, the most powerful state-run news agency in China. Foreigners regarded Hollington K. Tong as Nanjing’s best known propaganda official. As a graduate of the University of Missouri and Columbia, he had been the first Chinese on the staffs of the New York Times and other American newspapers.98 It was Tong, serving as Vice-Minister of the Ministry of Information, who directed the notorious censorship of dispatches from foreign correspondents in China. Yet, these English-speaking Chinese and American journalists occasionally worked together for English-language Chinese papers or international news agencies in China. In a sense, English-language newspapers and magazines in China functioned as career-building businesses for both American and Chinese journalists.99 American-educated Chinese officials and their friendship with American journalists were critical factors that helped strengthen Nanjing’s ties with America. Not surprisingly, a number of American journalists were regarded as long-term "China Hands." By contrast, in Japan, only few American journalists served for long periods.100

American observers often viewed the GMD as an American pupil. In this case, the traditional sense of mission to assimilate China into American models remained firm, while the
rhetoric increasingly shifted from “Christianity” to “democracy.” An increasingly popular view of China among these observers was that China, given her potential and guided by Americans, could be reborn as a strong, modern democracy akin to America. Henry R. Luce, one of the nation’s most powerful publishers, was such an observer. If Pearl Buck helped change many negative images of the Chinese into positive ones, Luce helped do the same thing for China’s government. Luce, the political-minded owner of *Time*, *Fortune*, and *Life* magazines, lauded almost everything about Chiang Kai-shek in hopes that China would become a fellow Christian and democratic nation under the Generalissimo’s leadership. As the son of a prominent Christian missionary educator in China, Luce believed that America possessed a unique evangelical mission to shape China in the American image. And Chiang increasingly became his hero. Thus, Luce featured Chiang on the cover of *Time* magazine in 1931, 1933, and twice in 1936, and termed Chiang “the greatest man in the Far East.”\(^\text{101}\) Japanese leadership had no support from a powerful man in the American media like Luce.

In the course of the Sino-Japanese conflict during the 1930's, a highly polarized version of American attitudes toward China and Japan emerged. Luce’s *Fortune* magazine summarized such views in 1941 as follows:

> JAPAN, to quote a rather oblique wit, has been the U.S. Navy’s ‘peculiar institution.’ For years when it *didn’t* menace our interests it was built up bogeywise in the minds of the U.S. people as the prime justification for a big fleet. Just now the ‘peculiar institution’ does happen to impinge with startling solidity upon our interests - the supply lines that bring us rubber and tin from the East Indies, and the Chinese people whom a century and more of missionary activity has conditioned us to love beyond any other Oriental folk.\(^\text{102}\)

This succinct characterization reflected the fact that at least for several decades, those affiliated with naval programs and Christian missions had nurtured partisan images of Japan and China.
The net result was the prevailing view that Japan was an inevitable enemy and China an object of pity to be saved and protected by America. In the 1930's, the stories of the Sino-Japanese conflict accentuated this popular view. Yet, while some American friends of China increasingly projected their high expectations into American images of China and still more polarized the images of China and Japan, officials and political analysts remained aloof from the Sino-Japanese conflict. Still, the spread of those newly emerging images of China needed a new momentum. As it turned out, Japan’s invasion of China in 1937 provided such momentum. Thereafter emerged a visibly widening gap of opinion on China between observers in the official circles and those in the private circles that would be exploited by Chinese propagandists and their American friends.
1. John K. Fairbank, “American China Policy to 1898: A Misconception,” *Pacific Historical Review*, 39:4 (November 1970): 409-20. In China and Japan, Western powers institutionalized the so-called “unequal” treaties under which all interested Western powers pursued shared goals with extraterritorial privileges from Asian laws. In a sense, the theory of Oriental inferiority was legally sanctioned by international treaties in the 19th century. Conversely, this meant that, under the treaty system, Americans and Europeans pursued their respective policies on an equal basis. Accordingly, Western countries tended to view China primarily in cultural and racial terms at a most basic level of perception.


16. *Ibid.*, vol. 1, xiv-xv (preface). In the 1883 edition of his book, Williams claimed his rather benign attitudes toward the Chinese: “I have endeavored to show the better traits of their national character, and that they have had up to this time no opportunity of learning many things with which they are now rapidly becoming acquainted.” See *Ibid.*, xiv (preface). However, Paul A. Varg, an authority of missionary history, gave the following appraisal of Williams in the late 1950’s: “To this day Williams’s volumes are universally acclaimed as an accurate and objective description of nineteenth-century Chinese society.” See Paul A. Varg, *Missionaries, Chinese, and Diplomats* (Princeton, NJ: Princeton University Press, 1958), 14.


20. “What China needs is righteousness,” Smith thus concluded, “and in order to attain it, it is absolutely necessary that she have a knowledge of God and a new conception of man, as well as of the relation of man to God.” See *Ibid.*., 330.


26. In John K. Fairbank’s view, “American attitudes toward the Chinese people have been strongly value laden,” because of the missionary legacy. Yet, missionaries “lived on doses of wishful thinking” and “formed American opinion by fault,” and American attitude “notoriously subject to swings of opinion. Idealization and disillusion, euphoria and cynicism follow each other as though our national psychology were regulated by some manic-depressive clock.” See John King Fairbank, *ChinaWatch* (Cambridge: Harvard University Press, 1987), 18, 21-22, 184. A. T. Steele also observed that “Americans have tended to react intensely and emotionally to developments in China, with sudden fluctuations of feeling ranging from admiration to disillusionment, from sympathy to antagonism” and that “the missionary view of China was a highly subjective and distorted one.” See Steele, *The American People and China*, 1, 9.

27. Initially, the Japanese, like the Chinese, were considered as inferior Orientals. Therefore, the “opening” of Japan was justified by a rationale that Japan needed to be “civilized.” See William L. Neumann, “Religion, Morality, and Freedom: The Ideological Background of the Perry Mission,” *Pacific Historical Review*, 23: 3 (August 1954): 247-57.


29. In particular, the Japanese government extended the policy of religious toleration in 1873 in order to keep a good diplomatic relationship between Japan and the Western countries. From the 1890's, however, foreign Christian missions in Japan began to decline in popularity. See Sandra

30. Browne, “A Common Thread,” 50. For example, in 1880, there were fewer than 150 Japanese in America, compared to more than 100,000 Chinese immigrants.


39. Political leaders and officials were less enthusiastic on China which rendered only 1.1% of total American exports and only a very small portion of her population as converts to Protestant Christianity. John Hay, for example, did not have illusions of a great China market nor did he sympathize with the Chinese. Like many others, Hay exhibited his contempt for the Chinese race, regularly referring to them as “chinks.” See McClellan, *The Heathen Chinee*, 45.


43. Sophia Lee, “The Foreign Ministry’s Cultural Agenda for China: The Boxer Indemnity,” in Peter Duus, Ramon H. Myers, and Mark R. Peattie, eds., The Japanese Informal Empire in China, 1895-1937 (Princeton, NJ: Princeton University Press, 1989), 272-80, 300-06. In Japan’s case, the remission did not signify a new cultural policy but it was subjected to Japan’s earlier programs which had grown in affiliation with Buddhist missionary efforts in China. By and large, a sense of urgency that Japan lagged behind America in cultural efforts in China motivated the decision for the remission, though Japan was ill-prepared in terms of funding and management. In the mid-1920’s, the Protestant missionary community in China, led by Americans, managed more than 400 middle schools, 6,000 kindergartens and elementary schools, and 300 medical centers. They took care of most of modern educational and medical services in China.

44. Isaacs, Scratches On Our Mind, 144-48. It was the Christian education that marked the most spectacular growth in American activities in China between 1900 and 1925. Of the 27 mission colleges and universities in 1925, 21 had been built after 1900. In 1925, the Protestant Christian mission in China claimed 700,000 of its communicants.


46. In America, slavery was justified by a rationale that the superior and strong had a “duty” to protect and guide the inferior and weak because they lacked physical and mental capacity to take care of themselves. Imperialism was justified with the same logic, as America’s de facto colonies after the Spanish-American War were called “protectorates.” The essentially same but more delicate logic of altruism was applied to Sino-American relations.


49. Carey McWilliams, Prejudice: Japanese-Americans (Boston: Little, Brown, and Company, 1944), 40-44.


51. Ibid., 42, 97-98, 102-111, 308. Thus, Washington assumed that Japan’s domination over Korea and Manchuria was legitimate. The Taft-Katsura secret pact of 1905 and the Root-Takahira agreement of 1908 served for that purpose, though the latter agreement confirmed the

52. Michael Vlahos, The Blue Sword: The Naval War College and the American Mission, 1919-1941 (Newport, RI: Naval War College Press, 1980), 67-74. Between 1919 and 1941, nearly half of all Naval War College lecture programs on specific regions were devoted to the Far East with a heavy emphasis on a Darwinian racial conflict theory. Also, one third of the entire reading list in the Naval War College in that period dealt with Japan, with a heavy emphasis on Japanese imperialism and negative Japanese racial characteristics. Yet, according to Vlahos, the list of books on Japan reviewed by naval college students in 1935 contained no reliable historical or ethnic study from a contemporary standpoint.

53. The 1897 strategic planning for war with Japan was supplemented by a 1900 survey of Japan that defined the Japanese characteristics in terms of courage, endurance, intelligence, and patriotism, but warned of Japan’s “invasion” of California. In 1903-1904, the Joint Army-Navy Board was organized and began preparing a series of war plans known as the “color” plans. In 1906-1907, war planning memoranda began to refer to “Japs.” In 1911, the first formal naval war plan with Japan was color-codified with ORANGE, the pigment of fate, whose basic tenets did not change until World War II. During World War I, the war plan with Japan was portrayed as crusade of the “white race” against the “yellow race,” particularly because the threat of Germany declined after the conflict. In 1915, Lyman A. Cotton, a former naval attache in Tokyo, defined the Japanese people in six characteristics: militarism, blind obedience, imitativeness, deceit, ruthlessness, and arrogance. Numerous other characterizations of the Japanese race by the naval circles up to the 1930's echoed Cotton’s. See Ibid., 98-129; Louis Morton, “War Plan ORANGE: Evolution of a Strategy,” World Politics, 11:2 (January 1959): 221-22.

54. Browne, “A Common Thread,” 18-19. Because the issue of Japanese immigrants was implicitly connected to national security, the War Department, beginning in 1907, regularly collected data about suspicious Japanese immigrants in America as well as those in Mexico and other Latin American nations. See Iriye, “Japan as a Competitor,” 79-81.

55. In appearance, the anti-Japanese agitation in California seem to have been domestically motivated, because it was occasionally fomented and directed by local interest groups for different short-term motives, particularly during election years and in the midst of economic depression. See McWilliams, Prejudice, 51-62. However, it was periodically accentuated by popular rhetoric of an inevitable war with Japan in the media. Thus, when a few American friends of Japan, notably missionary Sidney L. Gulick, challenged the stereotyped images of the Japanese as a militaristic and deceptive people and criticized American foreign and immigration policies for their offensiveness to Japan, they were rather suspected as collaborators with the enemy. See Taylor, “The Ineffectual Voice,” 25-26.

56. In 1924-1925, at the request of Gulick and other American missionaries from Japan, a group of social scientists at the University of Chicago conducted the first modern sociological study on the “Oriental Problem” in America and suggested that the Japanese could be made as capable of
being assimilated into American norms as any other immigrants. However, missionaries could not agree with the sociological conclusion that Americans had better feelings toward the Japanese as a result of the passage of the 1924 Immigration Act. See Henry Yu, *Thinking Orientals* (New York: Oxford University Press, 2001), 20-30, 72-84.


58. The underlying rationale of the Yellow Peril was that the “colored” races, once successfully industrialized, would try to recover their lost territories and rights to the white men, which would inevitably lead to war. Japan would be the most likely first challenger to the white race. Given her population density, Japan was destined to extend her empire by sending her people abroad. Once denied equal treatment in and by the Western world, Japan would attempt to bind all the yellow races into one political order under the gospel of “Asia for Asiatics.” Yet, because China would likely resist Japan’s gradual control over her lands, America, as a leading Western force in the Asia-Pacific region, needed to cooperate with Great Britain to hold on naval supremacy in the Pacific and to support China’s integrity to counterbalance Japan’s predictable course of foreign policy. A popular version of this strategic speculation was the notion that a great yellow horde, led by Japan, would one day sweep across Asia and inundate the Western world or would swamp the world’s markets with their cheap labor and products. See Weale’s *The Conflict of Colour*, 122-183.


61. Neumann, *America Encounters Japan*, 171-173; Also, the American delegates to the Geneva Conference were formally instructed to refuse any discussion of limiting fortifications on Pacific islands. See Morton, “War Plan ORANGE,” 234.


66. T. O. Thackrey, “What’s Left of China,” *Current History*, 154: 2 (May 1936), 52-54. As of 1936, there were about 11,000 Americans in China with nearly $200 million assets (including $50 million missionary assets). Yet, America’s investment in China was just 2% of its total investment overseas.


79. For instance, Chiang’s address on Jesus was reproduced in American papers by the American Board of Commissioners for Foreign Missions at Nanjing. Here, Chiang was called “a follower of Jesus in his plan for saving the world.” See Chiang Kai-shek, “What the Sufferings of Jesus Mean To Me,” *Christian Century*, 54: 19 (May 12, 1937): 612; *New York Times*, April 26, 1937: 5.

81. To cope with Chinese nationalism, American missionary institutions in China adopted a secular, service-oriented policy in the 1920's. For instance, the YMCA hired professionally-trained administrators, opened its service to non-Christians, assigned an enhanced role to native members, and sponsored a non-religious organization, the Institute of Pacific Relations. Yet, philanthropic organizations in China became tied with the American domestic policies that were designed to reduce agricultural surpluses at home and check the spread of Bolshevism overseas. Such institutions as the Rockefeller Foundation also financed and directed American publicity in China. See Rosenberg, *Spreading of the American Dream*, 109-110, 120-21.


83. Ibid., 37.


89. Hugh Byas of the *New York Times*, Frank Hedges of the *Christian Science Monitor*, and Miles Vaughn of the UP were regarded as the best journalists, and yet they were not necessarily regarded as true experts on Japanese affairs. See Ibid., 515-18, 525-26.


96. A common deficiency in U.S. media coverage of China in the 20th century was its notably oscillating quality between extremely self-serving views. See Oksenberg, “The American Correspondent,” 213, 222.

97. A biographical note on Hin Wong, United Service to China (USC) Papers, The Seeley G. Mudd Manuscript Library, Princeton, NJ, Box 82.

98. A biographical note on Hollington K. Tong, Ibid.

99. Harold Isaacs’ own experiences illustrate one facet of American journalism in China during the 1930’s. Isaacs, the son of a wealthy New York family, sailed for China at the age of twenty in 1930, got a first job at the *Shanghai Post*, then worked at the *China Press*, a state-run paper, under Hollington Tong, Isaacs’s senior graduate of Columbia University. Within a couple of years, Isaacs launched a newspaper called *The China Forum* with Madame Sun Yat-sen and Agnes Smedley, a pro-communist freelancer, in 1931. When *The China Forum* issued ugly stories of Chiang’s coup against communists in 1927, British and American authorities threatened to withdraw Isaacs’s extraterritorial rights and thereby put him on a trial before the Chinese court. Isaacs’s father and New York Representative Fiorello La Guadia persuaded the State Department to drop the charge. This episode shows how casual American journalism in China could be in the 1930’s. As in this case, Nanjing and “imperialist” powers, including Japan, shared at least a common stance against leftist, pro-communist versions of political affairs in Asia. The Chinese and foreign authorities regarded the communists as a common threat. By contrast, Japan could never be regarded as a common enemy of China and the West at an “official” level. Yet, it was American journalists who provided politically sensitive and suppressed information such as information on the rise of Chinese communism and Japan’s aggression in China for the American public. See Rand, *China Hands*, 81-82, 113-15.


Whereas popular opinion of China and Japan in America was based less on rational grounds than on emotional expectations for Asian affairs, official assessments of U.S. actions toward Asian countries were based on more practical grounds. Throughout the 1930's, the U.S. State Department maintained that any serious engagement with China would not serve American interests at large. It also dismissed the popular view that America had a responsibility to “save” China from Japan’s aggression. Accordingly, it was unwilling to engage in the Sino-Japanese conflict. Increasingly aware of the State Department’s passive stance, the Chinese government of the Guomindang at Nanjing sought to secure support from Washington through any available channels. By 1937, it had found that the State Department might support financial aid for China, if pressured through the U.S. Treasury Department. As a result, important financial transactions in Sino-American relations progressed primarily through the channels outside the State Department until the end of the 1930's. This chapter examines why and how Nanjing’s access to Washington grew in such a manner.

“China Hands” in the U.S. State Department and Their Views of China

In the 1930's, the U.S. Department of State tried to avoid direct involvement in the Sino-Japanese conflict. To a degree, this non-interventionist policy reflected isolationist sentiments in a time of economic hardship. Yet, key State Department analysts and diplomats, though acutely aware of Japan’s growing threats to the Open Door policy, consciously discouraged a pro-
Chinese policy, because they held a highly negative outlook on China’s future. In their final analysis, direct involvement in Chinese affairs or substantial aid to China would not serve American national interests at large. Unlike civilian observers emotionally tied with the missionary legacy in China, State Department officials confined their views of the Open Door policy to more practical goals and expectations.

The State Department’s Division of Far Eastern Affairs remained relatively small in the 1930's. By all accounts, its policies revolved around Stanley K. Hornbeck, the Division Chief (1928-1937) and Special Political Advisor to the Secretary of State (1937-1944). Viewed as the most influential State Department official on East Asia in the 1930's, Hornbeck was known to be pro-Chinese, having been trained as a China specialist and having played a key role in shaping American policy during most of the interwar period. In practice, Hornbeck focused on national interests, and was neither pro-Chinese nor pro-Japanese in that regard. His mission was to preserve America’s established interests in the Asia-Pacific region under the Open Door policy, which, in its original definition, meant the maintenance of American rights in China under the “unequal” treaty system and, as strategically implicated, the maintenance of American naval strength in the Pacific vis-a-vis Japan. Therefore, his policy direction was essentially to keep the status quo in China and the western Pacific by means of accommodation with Japan.

In Hornbeck’s view, both the nationalist Chinese revolution and Japanese imperialism were threats to the Open Door policy, because either could damage America’s established interests in China. Trained as a scholar of international law, Hornbeck defined the Open Door primarily in terms of the international legal system. In his view, not only Japan but also China was a serious violator of the Open Door principles, because China, in her pursuit of national
independence, did not faithfully observe her treaty obligations. Before the Manchurian Crisis, he was more disturbed by China than by Japan, because the Chinese persistently argued that the U.S. relinquish its extraterritorial rights in China and agree to a revision of the treaty system. Hornbeck held to the prevailing notion of his day that only Anglo-Saxons were capable of managing the international order and maintaining an effective political organization under a universalist legal system. To him, neither China nor Japan was equal to a Western country since, as Orientals, they possessed immature attitudes toward international treaties. The Chinese, in particular, were so incapable of maintaining domestic order and abiding by international treaty obligations that they were unworthy of international equity. Thus, Hornbeck consistently rebuffed Chinese requests for a relinquishment of the unequal treaties on the ground that they had failed to maintain domestic order and thus threatened foreign rights in China. He never endorsed the popularized version of the Open Door policy that obliged America to be responsible for the maintenance of China’s territorial integrity. To him, such rhetoric might be useful as a means of reprimanding Japan’s aggression; yet, it was China’s responsibility to protect her sovereign rights.

Hornbeck was willing to acquiesce in Japan’s encroachment on China but worried about her naval threats to the United States. Japan was a bigger challenge to the status quo than China in the sense that her naval expansion was likely to lead to war in the Pacific. Therefore, Hornbeck wanted to accommodate Japan’s policy in China while trying to maintain America’s naval superiority. In his view, America had no need to confront Japan over China unless American interests in China were directly threatened. Therefore, he advocated a non-interventionist policy during and after the Manchurian Crisis. As early as October 1931,
Hornbeck urged Secretary Stimson not to become involved in “the jungle of this Chinese-Japanese-Manchurian mix-up.” Hornbeck once suggested an economic boycott against Japan during the Manchurian Crisis, but his motive was to denounce Japan as a law-breaker, not to help China. While hoping that Japan’s economic vulnerability would force her leaders to capitulate to American pressures, Hornbeck preferred to avoid any serious confrontation with Japan.

Hornbeck’s memo of March 28, 1932, shows his concerns about Japan:

> In our relations to Japan, the thing most to be desired is avoidance of war. From a war between these two nations neither of us could profit. But, neither the fact nor the appearance of weakness either in allegiance to our ideals or in equipment for defense would contribute to the averting of that test. The one hope of averting it lies in delay--giving Time the opportunity to bring about changes in Japan’s ideals and aspirations; but to insure delay we should give conclusive evidence of possession by us of physical force sufficient to insure our superiority in any armed conflict, if and when, between the two nations.

According to Hornbeck, America would delay an eventual clash with Japan, while hoping that Japan would change her policies before America’s military showdown. Thus, beginning in early 1932, Hornbeck recommended that America should not take leadership among Western powers against Japan until it had a sufficient naval capacity to crush Japan. He further argued, beginning in the fall of 1934, that America needed to stop naval limitation talks and start an unrestricted naval race with Japan to bankrupt Japan’s economy.

“Saving China” by either diplomatic or military means was not among Hornbeck’s options, because he saw no vital national interests in China. In a letter of January 1934 to William Bulliitt, American Ambassador to the Soviet Union, Hornbeck wrote: “We need always to keep in mind the fact that the United States has not any vital interest at stake [in China]; also, that it probably never will have . . . Therefore, we should take no steps which tend to involve or
enmesh us in the politics of Japanese-Russian-Chinese Far East.” In 1935, Hornbeck made it clear that the Open Door principles did not require the use of force to protect China and the U.S. government might acquiesce in Japan’s partial impairment of the Open Door principles. In March 1936, Hornbeck reaffirmed his conviction that “the American Government should still proceed on the principle of playing no favorites [between China and Japan]. This country has of course no intention of using force for the preservation of the ‘open door’ in China.” In short, Hornbeck dismissed the exaggerated value which many Americans held of China.

Hornbeck’s assistants possessed a more skeptical attitude toward China and a conciliatory one toward Japan than did their boss. Maxwell M. Hamilton, Assistant Chief of the Far Eastern Division (1930-1937) and Chief of the Division (August 1937-1945), had begun his career as a foreign language officer in China. Hamilton thought that the Chinese were a demoralized people incapable of controlling their own destiny and much inferior to the orderly Japanese. Japan’s aggressive actions in China were understandable and China had little to offer America. Thus, America had no need to protect China from Japan’s actions. Another key assistant to Hornbeck, Joseph W. Ballantine, had been a Japanese language officer and was Assistant Chief of the Division under Hamilton after 1936. He shared Hamilton’s view of China.

Hornbeck’s senior mentors also preferred to pursue an accommodation with Japan over China. John V. A. MacMurray, who had been Chief of the Far Eastern Division (1919-1924), Assistant Secretary of State (1925), and Minister to China (1925-1929), and William R. Castle, Jr., Assistant Secretary of State (1927-1930), Ambassador to Japan (1930), and Under Secretary of State (1931-1933), were widely recognized as the best senior experts on Asian affairs. MacMurray represented traditional diplomatic views toward China that sought to ensure
American rights there through international cooperation with other treaty powers. Known as “America’s gunboat minister,” he frequently called for the use of military forces against China’s challenge to the treaty system during his ministership in China. MacMurray fought against those who were willing to listen to China’s demands for America’s relinquishment of treaty rights, because he believed that any concession to China, such as the grant of a tariff autonomy, would result in a break-up of the entire international system that had maintained a balance of power among the powers in East Asia since the nineteenth century.

In mid-1935, at Under Secretary of State William Phillips’s request, MacMurray wrote a comprehensive memorandum to advise the State Department, which was submitted to Hornbeck in November 1935. In it, MacMurray analyzed why East Asia had become a problem. He pointed out that the main difficulty in East Asia was China, whose reckless attempts to gain independence threatened the established peace system in Asia. In principle, the Open Door policy was to assure the powers’ equal access to the Chinese market through international treaties, but not to defend China’s integrity. The Washington treaty system was based on a consensus among the powers and, according to the Nine-Power-Treaty, Japan’s interests in Manchuria were not supposed to be threatened by other powers. But the Chinese, driven by “the hysteria of their elated racial self-esteem,” threatened foreign rights through unlawful methods. Japan was most impaired of all foreign powers by this. By her own weakness and cunning, China “asked for” the Manchurian Crisis. Japan had tried to adhere to the Washington Treaty system but had been provoked by China and by the United States, which acquiesced in China’s bad behaviors.

Thus, MacMurray urged the State Department not to threaten Japan’s rightful position in Asia and not to provoke Japan by supporting China. He recommended that the State Department
“take a passive attitude, conceding nothing from the liberal principles that have traditionally underlain our policy not only in the Far East but throughout the world, but avoiding positive action, or even the appearance of active concern, at least so long as the occasion is unpropitious.” War with Japan would only benefit the Soviet Union which would become a new adversary of America in East Asia. While China was “an almost negligible factor” for America, China’s raw materials and her markets were indispensable to Japan. Also, because China maintained her deep-seated disdain of foreign cultures and her grievances against foreign intrusion in her land, China would not likely appreciate America, even if America saved her from Japanese aggression. Thus, MacMurray concluded that “we have no mission to undertake any duties or responsibilities on behalf of China.” At the end of the memorandum, MacMurray observed:

Our problem in the Far East, in the difficult years that are to come, will be to husband our strength while making no challenging display of it; to write down our interest in China to its present depreciated value; to deal with Japan fairly and sympathetically, without either provocations or subserviencies; and to be guided by our own interests as conceived in an enlightened and generous spirit, with no wandering into false trails of ‘pro-Chinese’ or ‘anti-Chinese’ or ‘pro-Japanese’ or ‘anti-Japanese’ sentiment.

MacMurray added that it would also be necessary for Americans to show no sign of weakness to “Asiatics” who were apt to exploit it. In retrospect, Hornbeck’s actual policy recommendations after 1935 did not much deviate from MacMurray’s recommendations.

William R. Castle was probably the most vocal advocate of pro-Japanese policies among State Department officials. During the Hoover administration, Hornbeck had not maintained a very good relationship with Secretary of State Henry L. Stimson, particularly because they disagreed over policy measures in regard to the Manchurian Crisis. While Stimson preferred a
tough stance against Japan, Hornbeck was more cautious. In addition, Hornbeck seemed to have uneasiness in his personal relationship with Stimson. Stimson preferred to work with Allen T. Klots, his own special assistant, while Hornbeck favored to work with Castle, Under Secretary of State. Like MacMurray, Castle approved Japan’s need to secure Manchuria as a strategic buffer zone against the Soviet Union and strongly urged a U.S.-Japanese reconciliation over the issue of China. He argued that anti-Japanese sentiment in America was due to ignorance of Japan’s intentions and racial animosity and that America should not undermine Japan’s rights over China. Later, in 1939-1940, Castle joined civilian campaigns to prevent America’s intervention in the Sino-Japanese conflict. Hornbeck did not necessarily share Castle’s outright pro-Japanese attitude but agreed on his point on Japan’s strategic dilemmas over Manchuria and China.

Ambassador to China Nelson T. Johnson (1929-1941) was a close friend of Hornbeck’s and shared his views of China with Hornbeck and others. His lengthy service in China made him a most experienced American diplomat. Like other officers, Johnson very much supported the Open Door policy and was regarded as pro-Chinese. Yet, according to his own frontier thesis and theory of national characteristics, the complex and progressive American (or Western) mind contrasted to the “simple” Chinese mind and “brutal” Japanese mind. He saw no bridges between Western and Asian cultures, and believed that China could not determine her own destiny because of her fatalistic and slavish Oriental culture. Only an outside force could save China. American “pioneers” in China - missionaries, educators, and medical doctors - were the best gifts to this Oriental civilization. Yet, since China was inherently xenophobic and unadaptable, foreign aggression in China was a logical development. Accordingly, Japan’s aggressive actions in China were legitimate as long as Japan did not threaten American interests.
in China. In Johnson’s view, the Chinese had to repent of their “sins” before salvation might be accorded by Western powers. China deserved hardships until she would regret her failure to appreciate American benevolence. Not surprisingly, Johnson distrusted Chinese nationalism and discouraged American aid to China, though he recognized the need to listen to Chinese complaints about the abuse of extraterritorial privileges in China.

During the Manchurian Crisis, Johnson opposed sanctions or boycotts as a means of protest against Japan. He, too, regarded Japan’s domination of Manchuria as a strategic move against the Soviet Union and saw no harmful effects of it on U.S. interests, though he supported the non-recognition doctrine to honor America’s records. Johnson’s attitude toward China was neatly expressed in a letter to Hornbeck on June 1, 1933, shortly after the Tanggu Truce which ended the Manchurian Crisis. In it, he wrote that Japanese control of China would not cause “the loss of a dollar from an American purse” but would mean “an increased opportunity” for Americans to sell goods to the Japanese in China. Americans should appreciate “the extension of Japanese influence through China,” because it would be a model that would “cause to wonder just what our position in the Pacific is to be.” Like Hornbeck, Johnson thought that the Open Door policy was not supposed to protect China’s sovereignty from foreign aggression but to advance American commercial interests in cooperation with other foreign powers. Nevertheless, America should watch the “brutal” Japanese. Thus, Johnson agreed with Hornbeck on a naval buildup against Japan in 1934, because he believed that “force is the only language that the Orient understands.” Yet, China, a hopeless and demoralized country, did not deserve as America’s ally to counterbalance Japan’s expansion. In January 1936, Johnson wrote to the Secretary of State that he did not want America “to use force to save China from probable
Like Hornbeck and others, Johnson rationalized the non-interventionist policy on grounds that both China and Japan represented the same lawless Oriental.

Following Japan’s lead, the State Department upgraded the American legation in China to embassy status in 1935. By 1937 the American foreign service community in China numbered sixty seven, scattered in fifteen cities throughout China, the largest of all the foreign diplomatic communities in China. Most foreign service officers in China were not concerned about protecting China’s sovereign and territorial integrity but about promoting American commercial and cultural interests in China in cooperation with other nations. A few officers, like O. Edmund Clubb and John Stuart Service, had a long-term commitment to China, but most of the others had little concern with Chinese affairs themselves. To these committed officers, Hornbeck appeared to be inflexible because he asked them to provide reports that would serve only American national interests in the context of international relations, and often ignored significant reports that contained intensive analyses of conditions in China. Johnson also asked his staff to provide simple, non-analytic reports, and entrusted many of his diplomatic duties to his subordinates. Some officers regarded Johnson as superficial. As a result, the State Department added little new knowledge about China’s domestic affairs in the 1930’s. Yet, foreign service officers in China shared generally negative and paternalistic attitudes toward China. China seemed hopeless without outside stimuli and yet did not seem to realize the urgency of reform. Japan, a disciple of the West, had the right to interfere in Chinese affairs as Western powers had done. Like their superiors, they saw no vital American interests in China to justify any conflict with Japan.

Almost all important contributors to America’s China policy held certain common views. China was seen as a country incapable of self-government or of adapting herself to the modern
world. The best option for China was to cast off her traditional culture and remold herself along American (Western) “universalist” standards. Yet, the choice was up to the Chinese. Chinese inability to appreciate and follow America’s advice and their disdain of Western culture made China hopeless. Thus, until fully “awakened,” she deserved no support. Japan, the only successful Oriental disciple of the West, was justified in dominating China as long as she respected other powers’ rights. However, Japan’s increasing violation of international treaties showed that Japan, after all, was Oriental and not yet ready for equality with Western nations. In essence, America had no need to favor either China or Japan but to be prepared for any serious challenge to American interests. At the moment, however, Japan was considered more useful than China in terms of America’s geopolitical and commercial interests.

These underlying perceptions of China and Japan were hardly unique to foreign policymakers. What was pronounced in their views, however, was that they maintained much more skeptical views of China than most civilian observers who often expressed a sentimental attachment to China. Owen Lattimore, a contemporary civilian expert on China, felt that senior experts on Asian affairs in the State Department were rather pro-Japanese. He wrote in his memoirs about their attitude as follows:

Like so many such advisors, he [Hornbeck] thought that his mission was to tell the Chinese what they must do, rather than suggest to them options on what they might do. . . He was in favor of a ‘softly, softly’ policy toward Japan and largely accepted the idea that Japan was an essential barrier against the Soviet Union. He thought that my idea of trying to restrain Japan with sanctions or similar actions was ridiculous. At the same time, he was very pro-Chiang Kai-shek in Chinese domestic policies. . . Hornbeck, and a lot of Americans, thought of Chiang Kai-shek as the kind of man who, with enough support, would be able to control China, but would be dependent on that support and would therefore never be able to become really independent of the United States and the other Great Powers. 30
Indeed, in the 1930's, Chiang Kai-shek was valued by the State Department in terms of Chinese domestic politics, but not yet in the regional politics of East Asia.

**Cordell Hull and the Roosevelt Administration on China Policy**

Hornbeck gained a stronger position in the State Department with the new Secretary of State Cordell Hull (1933-1945), because Hull was a stranger to Asian issues. Roosevelt’s appointment of Hull as Secretary of State was known as his election strategy to secure Southern votes. Hull, a former U.S. Senator from Tennessee, had no diplomatic experience. Having no footholds in the State Department, Hull was quite insecure about his role during Roosevelt’s first term. Hornbeck recalled that he and other officers had to “educate” Hull on Asian affairs. Conversely, because of Hull’s inexperience and aloofness, Hornbeck’s role in shaping policy on Asia increased. However, Hull, a Tennessee Wilsonian, and Hornbeck, a Midwestern Wilsonian, maintained a cordial relationship. Their friendship was advanced through regular croquet games. In style, Hull was so cautious and hesitant that other cabinet members close to Roosevelt later interfered with his role in foreign policy. In addition, Hull was so sensitive to public and internal criticisms of his conduct that he secretly censored correspondence among his subordinates. Unhappy with his job, he expressed his desire to resign the position on several occasions after 1934. This lack of confidence, coupled with his inability to make decisions and sponsor actions, contributed to the generally passive climate of U.S. foreign policy in the 1930's.

In his memoirs, Hull claimed that he had entered the State Department with convictions that America had a definite interest in defending China’s independence from Japan. Yet, Hull seemed to have no special interest in Chinese affairs. Much like several of his subordinates, he
wished to avoid confrontation with Japan over China, while repeating the verbal confirmation of Open Door principles. His primary concern in foreign policy was related to his desire to extend the role of international law and free trade. As a Wilsonian, he connected international order and peace with the sanctity of international treaties and free trade. His initial achievement was a reciprocal trade agreement with Latin American nations in exchange for America’s non-interventionist policy at a Pan-American meeting in Montevideo, Uruguay, in November 1933. Regarding it as a personal triumph, Hull applied the same principle to East Asia. According to his “good neighbor” policy toward East Asia, Japan was expected to follow America’s example of fair treatment to lesser countries, and America would not interfere in her quarrels with China.37 This was his version of the non-interventionist policy toward the Sino-Japanese conflict. In addition, his two major European specialists, Assistant Secretary of State Hugh Wilson and Chief of the Division of European Affairs J. Pierpont Moffat, urged him not to inflate the importance of East Asia as a whole.38 With an idealistic view of international peace and free trade, Hull wished to avoid any foreign entanglements in Asia, which he regarded, like his subordinates, as a lawless region of the world. After all, Hull was in command of State’s East Asian policy, because no one in the State Department was quite willing to challenge his passive stance on that region. However, Hull’s management of the State Department was complicated by the President’s peculiar administrative style. President Franklin D. Roosevelt was not particularly interested in East Asian affairs as well, though he seemed to have certain pro-Chinese and anti-Japanese sentiments due to his ancestral linkage to the China trade.39 Nevertheless, his familial ties with Chinese affairs did not seem to make him overly sentimental. Likewise, his love of a big naval fleet did not necessarily make him overly hostile toward Japan. Before he entered the oval
office, he had endorsed the Stimson doctrine and yet had made it clear that he did not intend to confront Japan over China. Thus, during his first term, Roosevelt encouraged Hull to avoid all entanglements in East Asia. 40 In general, his main focus in foreign policy until the late 1930's was limited to such issues as a “good neighbor” policy toward Latin America and Anglo-American naval cooperation. Political entanglements in Europe and Asia were generally discouraged.

Characteristically, Roosevelt did not care about minor policy issues and maintained no fixed opinion on many issues. Rather, he deliberately used vague statements to avoid concrete positions which might antagonize domestic foes or foreign governments. 41 While essentially internationalist, he had to cope with strong isolationist sentiments in Congress. Having no particular concern with Asian affairs, he simply wanted to avoid embarrassing Asian issues that would provoke domestic or foreign criticism. In his view of world affairs, East Asia as a whole remained peripheral. This made himself flexible on many points. But because he did not suggest any concrete goals in East Asian policy, the State Department pursued only piecemeal measures toward that region, policies which were not quite effective until the end of the 1930's, even though the situations increasingly required more positive and comprehensive approaches.

The President’s personality also affected the administration’s foreign policy procedures to a great extent. As a result, U.S. East Asian policies were subjected to a peculiar administrative climate. Roosevelt’s flamboyant and carefree demeanor was curiously mixed with his almost devious skills of political manipulation. He managed to keep his subordinates under his control through deliberate efforts to encourage competition among them. For this, he chose too many people to be responsible for the same task, while acting as a coordinator of their competing opinions. Thus, Roosevelt did not give the State Department exclusive control of foreign policy.
In practice, he tacitly allowed some of his cronies and protégés to participate in the foreign policy-making process. According to Jesse Jones, who was to hold thirty-two administrative positions by 1940, Treasury Secretary Henry Morgenthau, Jr. and Interior Secretary Harold Ickes often interfered with the State Department and Roosevelt was “not always considerate of” Hull.42 Also, as World War II records later revealed, he favored personal envoys for particular diplomatic goals. As a result, though Roosevelt could secure preferred policy among many competing agendas, his administration’s foreign policy-making process became unnecessarily complicated and filled with personal rivalries and uncertainties.

Hull noted in his memoirs: “Sometimes the President seemed to take a boyish delight in seeing two of his assistants at odd; he would say, ‘Settle it between yourselves,’ or simply let the controversy go on without taking a hand to solve it.”43 This was the case with Roosevelt’s attitude toward disputes between Hull and Morgenthau. Henry Morgenthau, Jr., who eventually emerged as Hull’s chief rival in East Asian policy, headed the Federal Farm Board in 1933-1934 and became Secretary of the Treasury in November 1934. Morgenthau’s rise as one of the most powerful American officials was due to his personal friendship with the President.44 According to Jesse Jones, Roosevelt’s appointment of Morgenthau as Secretary of the Treasury was “purely personal.”45 Morgenthau lacked training to justify becoming Secretary of the Treasury, but he always remained Roosevelt’s protégé. Protected by the President, he could challenge Hull on certain foreign policy issues. Thus, Hull recalled that Morgenthau “acted as if he were clothed with authority to project himself into the field of foreign affairs” and “seldom lost an opportunity to take long steps across the line of State Department jurisdiction.” To Hull, Morgenthau was the most disturbing cabinet member, because he “often sought to induce the President to anticipate
the State Department or act contrary to our better judgment.**46

Like Hull, Morgenthau had no personal urge to get involved with East Asian affairs. However, he formed strong opinions on world affairs in due course. In his mind, totalitarian and democratic states were engaged in an endless struggle with each other. He saw Germany and Japan as such enemies of democracy and believed that America should cooperate with the Soviet Union and China against them.47 While Hull and Hornbeck saw China’s economic ties with the United States as unimportant, Morgenthau tended to see China in terms of the old vision of the great China market. In addition, Morgenthau had strong anti-Japanese attitudes. Once involved in financial transactions and trade with the Chinese, he definitely became pro-Chinese and anti-Japanese. Therefore, he increasingly criticized the State Department for its “appeasement” of Japan and Hull for his extreme hesitancies. State Department officials, however, regarded Morgenthau as a man who was quite naive about China.48 Yet, the rivalry between Morgenthau and Hull was due more to Roosevelt’s peculiar administrative practices than to their different views on East Asian matters. Connived or encouraged by the President, Morgenthau preferred to manage things under secrecy, often ignoring proper procedures. Yet, Roosevelt overlooked such practices and rarely drew sharp administrative lines for his subordinates.

The GMD Government and Its Search for Foreign Aid, 1928-1934

In 1928, the GMD regime at Nanjing assumed control of China. This regime, though promptly recognized by Western powers as the legitimate government of China, had numerous internal and external problems. Chiang Kai-shek, the actual head of the Nanjing regime, assumed a dictatorship but his authority was regional rather than national.49 Backed by business circles in
eastern central cities, especially Shanghai, and the conservative gentry class in southern part of China, he continued civil wars, particularly with the Chinese Communist Party (CCP). Japanese encroachments on Manchuria and North China further jeopardized his political authority in China. Yet, he sought to crush the CCP, while hoping to utilize foreign powers to check Japanese encroachment on China.

Chiang’s political leadership itself was precarious. In journalist Edgar Snow’s words, “Chiang is the apex of a loose pyramid of sand, and his peculiar gift is his ability to anticipate the shiftings in the immense weight beneath him in time to maintain his own precarious balance.”

His leadership was based on his command of the GMD’s military and his connection to Shanghai financiers which he had secured through his marriage to Soong Mei-ling, a daughter of the rich Soong family, in 1927. In order to mobilize his army against the CCP and other anti-GMD regional forces, Chiang needed to draw money from capitalists in China’s treaty ports, who also had connections with foreign capitalists. Chiang secured this from his third wife’s family, who in turn dominated the GMD’s highest political and financial posts. Chiang’s military leadership relied on a loose alliance between his GMD army and provincial warlords. Yet, because Chiang never fully defeated the communists or the warlords, his regime spent 60-80% of its annual revenue on the military and the service of loans, which were essentially non-productive. This military-oriented policy eroded modernization programs proposed by Western-educated civilian officials. The executive body of the government was in effect dominated by the military, and the legislative body remained essentially powerless. Yet, Chiang did not rely on one political faction or one political ideology, but attempted to manipulate all heterogeneous political forces under his “dictatorship” and blend all differing methods to consolidate his political authority.
In a sense, his regime was a jumble of feudal legacies, warlordism, and western institutions. Its new political and administrative institutions, founded in an agrarian society, remained weak and ineffectual. As a result, China of the 1930's remained corrupt, disillusioned, and chaotic.

In principle, the GMD’s foreign policy aimed at China’s independence from foreign powers and equality with them. Its prime objective was to build China into an independent modern state free from foreign powers. The abolition of the unequal treaties was essential for that objective. Thus, the GMD’s programs on foreign policy since the first national Congress in 1924 were focused mostly on the abolishment of the unequal treaties. The Nanjing regime had gained tariff autonomy by 1931 from treaty powers and sought to negotiate with the powers to abolish extraterritorial rights in China. Yet, the Manchurian Crisis halted and delayed Sino-Western negotiations over the unequal treaties. Faced with Japan’s aggression, the GMD tried to secure support from the West and the Soviet Union. Because China’s military and economic strength was inferior to Japan’s, the GMD’s hope in its struggle against Japan was not military victory but a diplomatic one. On the one hand, Chiang appealed for assistance to the League of Nations and Western powers on the basis of the Nine-Power Treaty and the Kellogg-Briand Pact. On the other hand, before the Xian Incident of December 1936, he had been conciliatory to Japan, because he saw the CCP, not Japan, as his first enemy. Like traditional Chinese leaders, Chiang favored the traditional tactic of playing one “barbarian” group off against another. Thus, while making concessions to Japan, Chiang tried to induce whatever foreign nations available into the Sino-Japanese conflict on Nanjing’s behalf. Contrary to the avowed foreign policy objectives for national independence, the GMD’s frequent use of foreign advisors and appeals for foreign aid reflected its willingness to depend on foreign intervention in China.
However, Chiang’s reliance on foreign aid and his attempt to balance the relations among foreign powers were necessary elements of China’s diplomacy. Although China was the world’s most populous country, her industrial output was smaller than that of Belgium. China’s vital economic regions, such as treaty ports and Manchuria, were largely in the hands of foreigners. A dire reality in China was that no government could dream of nation-building without relying on capital investment and technical aid from the West. In 1928, China’s total debt had amounted to $893 million, of which $475 million had been in arrears. Nearly all of China’s foreign debt was in default. With a small amount of revenue that it could raise directly, Nanjing found no way to support its modernization programs while pursuing military unification. All the tasks required money and advice from abroad, especially after a worldwide depression began in 1929. Between 1927 and 1937, Nanjing invited more than 240 foreign technical advisors to China, 175 of them as military consultants. Nanjing’s economic programs relied primarily on Anglo-American advisors, while its military programs on German ones.

Since what Nanjing wanted most urgently from America was financial aid, Nanjing’s key officials on finance, notably T. V. Soong and H. H. Kung, both Chiang’s brothers-in-law, took the lead in China’s diplomacy with America. Together with their wives, these American-educated, Christian Chinese appealed to Western countries for aid. Chiang’s public conversion to Christianity in 1930, which was highly publicized and even romanticized by the American media, greatly moderated Chiang’s violent images in the West as well. Owen Lattimore, a Sinologist who also served as a political advisor to Chiang in 1941-1942, noted in his memoir that “it was also for political reasons that Chiang converted to Christianity.” Indeed, the Chiangs and Soongs found their alleged Christian faith to be a most appealing means of gaining
favor with the American missionary community in China and with the American public. It was also Chiang’s brothers-in-law who drew financial assistance from Washington.

From 1928 to 1933, T. V. Soong served as the Finance Minister as well as a Vice Premier. Soong, trained at Harvard, Columbia, and the International Banking Corporation in New York, was the most celebrated Chinese official to American observers. Even Hornbeck thought that “Soong is probably the clearest headed, the coolest and the most effective of all the Chinese officials now functioning at Nanking [Nanjing].” Soong was not in favor of Chiang’s policy of appeasing Japan and sought to draw direct financial and technical aid from Western countries for China’s domestic programs. Soong tried to obtain this aid in three ways. One method was through international banking connections. There had been an international banking consortium for China’s economic development since 1910, implicitly connected with U.S. “dollar diplomacy” to offset Japan’s economic domination over China. Although it was largely non-functional, Soong wanted to revitalize the China Consortium. A second way to secure international aid was through the League of Nations to which China had appealed for financial and technical aid since 1922. The League’s initial support had come as technical aid for a public health program in China. In 1926, Dr. Ludwik (Ludwig) Rajchman, the Director of the Health Section of the League, had visited China for that matter. Soong wanted to link the League programs to China’s domestic needs while using that link to strengthen Sino-Western relations. A third way of getting foreign aid was to secure a bilateral agreement with a foreign government. Of these three options, China’s access to the League of Nations was politically the least risky, because Japan opposed the China banking consortium and bilateral financial agreements between China and a Western nation. Moreover, China’s appeal to the League was initially for technical
rather than financial aid.

The Nanjing regime gained aid from the League through Ludwik Rajchman, a Jewish bacteriologist from Poland, who directed the League’s Health Section. He was also known to some as one of the most mysterious international lobbyists in Europe. Rajchman’s initial visit to China in 1926 had been a sort of diplomatic courtesy, following his official visit to Japan as a League official. After his first visit to China, however, Rajchman began to nurture his life-long commitment to China, partly due to his observation of China’s misery and partly due to his revolutionary vision for China, a semi-colonial country akin to his mother country. Thus, he urged the League to take an active role in assisting China to become a strong modern state. The League did not accept his proposal because representatives from Britain, France, and Japan did not want to upset the status quo over China. However, in October 1929, the League decided to send Rajchman to China at Nanjing’s request for technical aid, partly because it needed to placate the Nanjing regime that had been offended by the League’s vote not to grant China membership on the League Council. Rajchman’s second visit to China lasted two months during which he helped create Nanjing’s national institution for public health. More importantly, during this mission, Rajchman and T. V. Soong formed a connection that was to affect China’s relations with Western countries for the next two decades. Rajchman, in January 1931, drew from the League two major experts for China. To undertake the League’s forthcoming aid programs, Soong, at their advice, created the National Economic Council (NEC) as Nanjing’s central planning commission.

Rajchman’s activities on behalf of China caused negative reactions from the British, French, and Japanese, who did not want the League to meddle in a country that they regarded as
their colony. Furthermore, after the Manchurian Crisis had begun in September 1931, the Japanese regarded Rajchman as Nanjing’s lobbyist to the League of Nations, because he urged the League to mediate the Manchurian Crisis on behalf of China. During the Manchurian Crisis, therefore, the League took a passive stance and the NEC could not function well. In early 1933, Soong, urged by Rajchman, again planned to appeal to the League for further assistance to China at the World Economic Conference at London in June. Soong scheduled a visit to Washington in May before going to London in order to obtain an American loan to China. But because his direct negotiations with Americans would stir publicity, Arthur Young, an American financial advisor to Soong, was supposed to manage the negotiations with his American counterparts on behalf of China. In fact, Young assisted Soong who actually managed all the negotiations.

The main obstacle to Soong’s negotiations in Washington turned out to be Hornbeck. In addition to the loan, Soong actually wanted to postpone China’s payment of the American share of the Boxer Indemnity and secure the Roosevelt administration’s mediation over Japan’s encroachment into North China. Hornbeck rebuffed all of Soong’s appeals. However, Soong made arrangements with the Reconstruction Finance Corporation (RFC) for a U.S. loan of $50 million for China’s purchase of American cotton and wheat. Hornbeck again objected to this loan agreement on the ground that it would offend Japan and that China had not fulfilled her debt payment to America. But Henry Morgenthau, Jr., then head of the Farm Credit Administration, interfered to support the RFC loan to China. Morgenthau persuaded Roosevelt and Jesse Jones to agree to this loan over the opposition of Hull, Hornbeck, and Agricultural Secretary Henry A. Wallace. Later, the State Department claimed that it had not supervised this loan agreement. In principle, the RFC was not supposed to make loans to foreign countries, its original purpose
being to spur industrial recovery at home. However, the Roosevelt administration disposed of agricultural surpluses at home by selling them abroad through the RFC. In 1934, the Export-Import-Bank (EIB) was created under the RFC to take such supplementary actions as the sale of surplus farm products to Latin America and China with American loans, though it served primarily for trade with the Soviet Union.

Soong’s appeals for international aid to China at the World Economic Conference in London also met with American equivocation and Japanese protests. At the Conference, Soong appealed to the Western powers for technical and financial assistance in China’s reconstruction, and asked the League Council to extend its programs in China. In addition, Soong suggested the formation of a new international banking committee in place of the existing China Consortium, which would exclude Japan. The Secretary General of the League urged Hull, who headed the American delegation to the Conference, to support Soong’s proposals. Yet, after referring the matter to the Far Eastern Division, he objected to it. Also, when the League appointed Rajchman as its technical agent to China on July 18, Ambassador Johnson immediately urged Washington to object to the whole League program. Anticipating Soong’s return to America to make further requests, the Far Eastern Division urged the President to reject Soong’s proposals for more financial aid. Soong sailed back to Washington in early August, hoping to negotiate a further financial transaction, but gained no positive response. Hornbeck rebuffed Soong’s requests on various grounds. He argued that China had not repaid her debts to America and that any U.S. loan to China would be difficult to handle technically. Also, he rebuffed Soong’s proposal for a China banking consortium on grounds that it violated the spirit of the China Consortium of 1920 and the Open Door principles, because Soong’s plan excluded the Japanese. Apprehensive of
possible Japanese protests, Hornbeck did not want to give the impression that America was more eager to aid China than any other countries. Indeed, Hornbeck and other State officials later used Japan’s so-called “Amau Doctrine” as an excuse to refuse aid to China.76

Chiang was also pressured by the Japanese to stop Soong’s actions in Washington and London. The Japanese regarded Soong’s actions as a deliberate means of strengthening the ties between China and the Western powers against Japan. In October 1933, Soong resigned as Finance Minister, reportedly under the Japanese pressure, and H. H. Kung succeeded him. To appease Japan, Chiang soon restored a tariff system favorable to Japan. In the spring of 1934, partly to cope with the Japanese pressure, Chiang curtailed both the League of Nations’ assistance to China and the RFC loans. As a result of Chiang’s pro-Japanese tariff policy, China’s imports from Japan rose from 9.9% to 16.6% of her total imports between 1933 and 1936, while her imports from the U.S. decreased from 21.9% to 19.6% during the same period.77

The actual amount of the RFC credit to China was limited to $17.1 million.78 In terms of U.S. exports, China was valued at $69 million and Japan at $210 million in 1934. In 1935, the worth of U.S. exports to China dropped to $38 million, accounting for 1.7% of total U.S. exports.79

Though not quite successful, Soong’s drive for Western aid laid the basis of the GMD’s access to the West. Behind Soong was Rajchman. A major sponsor for Rajchman in Europe was Jean Monnet, a financier-diplomat who had been Deputy Secretary General of the League of Nations (1919-1923) and would later be known as “the father of Europe.” He was also close to Eric Drummond, the League’s Secretary General. Rajchman had drawn European men and money to China though his connections with them. The NEC, a major product of Rajchman’s mission, became Nanjing’s key organ for economic planning and rural reconstruction programs.
in which twenty six League advisors (1931-1936), American-educated Chinese officials, and foreign advisors, especially American missionaries, participated. Rajchman also helped Soong formulate his plan for a new China banking consortium. He persuaded Monnet to direct the consortium’s consultation committee, and Monnet asked Charles Addis and Thomas W. Lamont to represent Anglo-American bankers in the committee. Although the consortium was aborted because of Japanese pressures, Soong formed in 1934 the China Development Finance Corporation (CDFC), a banking syndicate to replace the consortium, with technical advice from Monnet and David Drummond, an assistant to Monnet and the son of Eric Drummond. It was also Rajchman who brought Monnet to help draw foreign capital to the CDFC.

Although the Chinese had failed to secure support from the U.S. State Department, they found one American friend who was able to get their messages directly to the President without going through Hull and Hornbeck. William C. Bullitt, the first American Ambassador to the Soviet Union (1933-1936) and later Ambassador to France (1936-1940), became a life-long friend of China after his first visit to there in November 1934. His visit was inspired by a meeting with Jean Monnet who stopped at Moscow on his way to France after completing his six-month financial mission to China in July 1934. Bullitt took Monnet as one of his closest French friends and wanted to observe first-hand conditions in China and Japan as Monnet had described them to him. As one of Roosevelt’s trusted envoys, he was also interested in getting information on Japan’s strategic position. In October, Bullitt visited Japan and talked with the Japanese emperor. In November, he met with T. V. Soong in Shanghai and had three major conversations with Chiang in Nanjing. In December, he submitted a lengthy memorandum to the State Department on his talks with Chiang in which he had discussed Sino-Soviet relations and
the dangers of Japanese aggression. Bullitt was a special figure in the diplomatic community, one who could bypass the normal diplomatic channels to communicate with the President on various issues. Hull noted in his memoirs that Bullitt had “the habit of writing to him [Roosevelt] direct, over my head,” which was “inadvisable.” Also, since Bullitt used a private code to communicate with Roosevelt, “at times the State Department remained in the dark as to what Bullitt was thinking and doing.” China was not yet one of Bullitt’s main concerns. But his personal friendship with Chiang and Soong had become a major factor in U.S. policy since 1934. Serving in Paris, starting in 1936, Bullitt assumed himself the final authority over American diplomats in Europe and pursued a personalized lifestyle as a diplomat, associating with various people and living in a luxurious apartment served by a Chinese servant. Because China’s requests for foreign aid were usually cross-examined by America, Britain, and France, the Chinese could expect Bullitt to help channel such requests to both American and European top policymakers. His accessibility to the U.S. President was, of course, the most appealing to the Chinese who were often frustrated by the unwillingness of Hull and Hornbeck to take their requests into account.

Soong kept a close relationship with Rajchman who functioned as Soong’s liaison officer in Europe. In April 1934, after arranging for Jean Monnet’s mission to China, Rajchman left
Soong and returned to Europe.\textsuperscript{89} Several years later, they met again and worked together, not in China, but in Washington. Bullitt also joined Soong and Rajchman in 1940-1941. From a Chinese point of view, Rajchman and Bullitt were invaluable supporters in view of the Chinese \textit{guanxi} (connections) which served as a route for lobbying activities. After Soong’s plans to gain Western aid had been frustrated by Japanese pressures and Western reluctance, Nanjing looked to the Soviet Union. Meanwhile, the Chinese increasingly saw the U.S. State Department as an obstacle to achieving their foreign policy goals. After 1934, Chinese endeavors to win American aid increasingly shifted to non-State Department sectors of the U.S. government, especially Morgenthau’s Treasury Department.

\textbf{The Chinese Silver Crisis and the K. P. Chen Mission, 1934-1936}

Although the State Department tried to discourage bilateral financial transactions with China, Sino-American financial ties were strengthened after 1934 because of the international effect of the American silver policy. The Silver Purchase Act of June 1934 began to endanger China, which was the only major nation in the world with a silver-based economy. Members of the U.S. Congress from silver-producing states, led by Senator Key Pittman of Nevada who also chaired the Senate Foreign Relations Committee (1933-1940), had pushed a massive silver purchasing program in order to boost the domestic price of silver.\textsuperscript{90} According to this silver policy, the U.S. Treasury Department should maintain one-fourth of the total American monetary reserve in silver. When this policy went into effect, the average silver price on world markets increased from about $0.5 per ounce to $0.8 in 1935. The inflated international price eventually drained nearly 50\% of the silver out of China and drove China into a severe financial depression.
Nanjing’s Finance Minister H. H. Kung made a series of appeals to the U.S. government for assistance. In the fall of 1934, Kung even showed his willingness to reform China’s silver standard by linking China’s currency system to the U.S. dollar. Yet, the State Department did not want to get involved in China’s domestic affairs. Hornbeck admitted that the American silver policy had caused China’s difficulties, but he objected to American financial or technical aid to China. Again, he worried about Japan’s reaction. Hull was not interested in this issue, either. Thus, the State Department did not take a definite stance on the silver crisis in China.

Unlike Hull, Morgenthau was willing to take the issue under his own authority, especially after he had been appointed Acting Secretary of the Treasury in November 1934. In response to his criticisms of the State Department’s timid stance on the silver crisis, however, Roosevelt expressed his personal views in December:

Please remember that I have a background of a little over a century in Chinese affairs. . . . I am inclined to believe . . . that it is better to hasten the crisis in China - to compel the Chinese people more and more to stand on their own feet without complete dependence on Japan and Europe - than it is to compromise with a situation which is economically unsound and which compromise will mean the continuation of an unsound position for a generation to come.

Roosevelt, like his subordinates in the State Department, exhibited a paternalistic attitude toward China. China deserved hardships in her efforts to modernize. He was perhaps more concerned about how to handle Congressional silver forces without provocation. Yet, he did not rebuff Kung’s plea for help and urged Morgenthau to help China after consultations with Hull.

Yet, Hull tried to avoid discussions with Morgenthau. In November and December, 1934, Morgenthau urged Bullitt, who was staying in Washington, to help him persuade Roosevelt to endorse his plan to invite a Chinese delegation to Washington. On January 31, 1935, through
Bullitt, T. V. Soong informed Roosevelt of China’s willingness to reform the Chinese currency system by linking it to the U.S. dollar. Bullitt also handed this message to Hornbeck but received no answer. On February 14, at a meeting with Hornbeck, Morgenthau insisted that he would take care of the Chinese proposal through the Treasury’s own program, because the issue was purely a monetary one. Hornbeck said that the State Department did not want to provoke Japan, because the silver issue was a diplomatic issue as well. The meeting ended without any agreement between the two men. Morgenthau felt that the State Department was simply appeasing Japan. He then asked Roosevelt to press Hull to continue discussions with Treasury officials, but he found that Hull simply had no intention of discussing the matter. Instead, the State Department informed the Chinese that their request for a U.S. loan had been rejected, but they might seek an international loan from a number of countries including Japan. By proposing a multinational loan, which was not actually feasible, Hull and Hornbeck wanted to avoid the issue. Morgenthau’s position, as expressed to Hornbeck, was that if Hull “considered the problem a monetary one, the Treasury was ready and willing to handle it independently.” Hull avoided a definite stance.

In late February, Bullitt again delivered a Chinese message to Roosevelt. Morgenthau in his diary described the transaction: “Sunday night this week at the White House Bullitt walked in unexpectedly and told the President that the Chinese Minister had showed him a very confidential cable which he did not feel he show the State Department. (This procedure seemed most irregular and I should think would be frowned upon by Hull).” The message said that China might make a deal with Japan in return for Japan’s aid in the silver crisis. The next day, Roosevelt strongly urged Hull to act on the silver issue. Morgenthau noted Hull’s inaction in his
diary: “The President repeated this about three times but made absolutely no headway with Hull.” On the other hand, Hull bitterly resented Morgenthau’s interference with foreign policy issues. Hornbeck was almost exasperated at the Chinese and Treasury maneuvers to circumvent the State Department, and, in terms of substance, repeated his objection to bilateral aid to China as a violation of the Open Door principles. In Hornbeck’s view, any bilateral aid to China by America alone, made without the approval of other concerned powers, including Japan, would violate the principles of the Nine-Power-Treaty and the China Banking Consortium.

In the end, however, the State Department began to act grudgingly. In the spring of 1935, urged by the British decision to send a financial delegation to China, the State Department also dispatched a mission to China to study its financial situation. Gathering information in April-July, the mission, headed by W. Cameron Forbes, informed Hornbeck that the U.S. government could provide financial aid to help the Chinese reform their currency system, regardless of Japanese opposition. Hornbeck, however, continued to resist. In July, Morgenthau met with Hornbeck and insisted that the silver crisis in China was a monetary issue and therefore he should take care of it. Hornbeck retorted that State should be in charge of it as long as the issue was relevant to foreign policy. Roosevelt did not yet give clear-cut instructions to either Department. In fact, even the Treasury Department was not quite willing to get involved in the Chinese silver crisis. Like Roosevelt, Morgenthau was afraid that a massive purchase of Chinese silver at a favorable price might antagonize Congressional silverites.

By late 1935, however, Nanjing had begun a massive reform of China’s banking and currency systems. Nanjing decided to give up the silver standard and nationalized all silver in China. For the new monetary system, China’s major banks were to be nationalized under the
direct control of Chiang, Soong, and Kung. It sent Washington urgent pleas to make large immediate purchases of Chinese silver. What worried Roosevelt and Morgenthau most was that China’s new currency system would be closely linked to the British sterling or the Japanese yen. According to Arthur Young, who took part of the Chinese currency reform, Morgenthau was deeply suspicious of what he thought to be British and Japanese plots to keep China under their financial control, especially the motive of the British mission in China led by Sir Frederick W. Leith-Ross. Thus, Kung assured Morgenthau that there was no scheme to create a Sino-British-Japanese bloc. In the end, Morgenthau agreed in mid-November that America would purchase 50 million ounces of Chinese silver. He then appointed J. Lossing Buck, an agricultural economist at Nanjing University and husband of Pearl Buck, as an informal Treasury agent in China, one who would work for regular communications between the U.S. Treasury Department and the Chinese Ministry of Finance. With Roosevelt’s consent, Morgenthau asked the Chinese to send a delegation to Washington to confer on another American purchase of Chinese silver.

The scheduled conference would be conducted on the condition that any agreement would be monetary, not diplomatic, in nature. Thus, the Treasury Department assumed responsibility for this international agreement. It was expected that Nanjing would link the Chinese yuan to the U.S. dollar, though this was not publicized. Roosevelt and Morgenthau wanted to invite T. V. Soong. In their conversation in November 1935, Roosevelt observed, “I have more faith in Dr. Soong than I have in Dr. Kung.” Morgenthau responded that “Dr. Soong is in complete charge of all these affairs and Dr. Kung only handles the details as Minister of Finance.” But Hull’s State Department expressed its apprehension. In January 1936, Morgenthau noted in his diary that Hull “is afraid to have T. V. Soong come to this country. . . because he is such a well-known anti-
Japanese.”105 Yet, Hull assured Morgenthau that although he wanted to postpone any action on China, he would not oppose the Soong visit, if designed by Roosevelt and Morgenthau. Nanjing, meanwhile, decided to send not Soong but a banker named K. P. Chen, because it feared that Soong’s presence in America would cause publicity and the State Department might interrupt the negotiations. Roosevelt approved the negotiation with Chen and assured Morgenthau that he did “not have to take up with the State Department the matter of Chen’s coming here.”106

K. P. Chen was managing director of Shanghai Commercial and Savings Bank and a member of Nanjing’s Currency Reserve Board. According to a confidential report of the Director of Naval Intelligence in February 1936, Chen was a man of “an excellent reputation” who had “no desire for publicity” and “no fixed political affiliation.”107 A Treasury attache at Shanghai informed Morgenthau that Chen was considered “the most honest, sincere and dependable of the prominent local bankers” and “pro-American.”108 The Chinese Ambassador, Sao-Ke Alfred Sze, explained to Hornbeck that Chen was chosen for the mission because Morgenthau wanted not a diplomat but a financial expert. Thus, while representing the Chinese government, Chen would have no official title in order to avoid publicity. Sze also assured Hornbeck that Morgenthau was to inform Under Secretary of State William Phillips about his negotiations with Chen.109 However, on the same day, Hull instructed the embassy in China to inform the Chinese that they should not entertain “any expectation of reinstatement of canceled portion of [the RFC’s] cotton and wheat credit” and the State Department would discourage Chen from having “any preconceived expectation of success in seeking loans or credits.”110 In any event, Chen sailed for America in April with his two assistants, Y. C. Koo and P. W. Kuo.

Before Chen’s arrival, Technical Assistant to the Treasury Secretary Archie Lochhead
suggested to Morgenthau three basic options of how to assist China: 1) An outright purchase of Chinese silver at the market price; 2) A loan to China against silver at current prices; 3) A purchase of yuan from China in exchange for U.S. dollars.\textsuperscript{111} Morgenthau personally preferred the first option, to avoid a loan transaction which would cause publicity. Still, the State Department was apprehensive of Japanese protests. Thus, in late April, Hornbeck arranged a meeting between Morgenthau and Japanese financial representatives to discuss the U.S. silver purchase from China.\textsuperscript{112} Although Hornbeck advised Hull to publicly downplay Morgenthau’s negotiation with Chen as exclusively Treasury business as Morgenthau wished, he affirmed State’s fundamental positions in regard to East Asian policy:

\begin{quote}
It is a definite feature of our Far Eastern policy at present that (1) we do not wish to inject new elements of irritation into the situation; (2) we do not wish to assume new responsibilities of initiative or leadership in regard to matters of general international interest in the Far East; (3) we favor cooperation with Great Britain and we do not wish to give Japan ground for a contention that she is being discriminated against or being deliberately left out in the cold.\textsuperscript{113}
\end{quote}

In Hornbeck’s view, any Sino-American agreement would create “new elements of irritation” in U.S. foreign policy. In other words, he affirmed State’s view that America should not take any responsibility to help save China from domestic downfall or Japan’s encroachment.

Morgenthau conferred with Chen first on May 8, asking him about the Chinese situation. Chen gave Morgenthau detailed information on the financial situation and foreign activities in China, especially on Japanese efforts to forestall China’s new currency system.\textsuperscript{114} Although their conversation focused on China’s monetary issues, Morgenthau was keenly interested in foreign activities, particularly British, Japanese, and Russian efforts in China. When he lunched with Roosevelt a week later, Roosevelt was eager to know “whether Chen was pro or anti-
Morgenthau assured him that Chen was anti-Japanese. Roosevelt and Morgenthau were concerned with how to make China’s currency system independent from those of Britain and Japan while linking it to the dollar. Morgenthau consulted closely with Roosevelt during his negotiations with Chen. Chen impressed Morgenthau with his sincerity. According to Kung’s original instructions, drafted by Young and given to Chen, Nanjing wanted to sell up to 200 million ounces of silver but did not want to link its yuan currency to any single foreign currency.116 Morgenthau became sympathetic with Chen’s position.

On May 17, Treasury officials and the Chinese reached an agreement by which Treasury would purchase 75 million ounces of silver for eight months and provide China with a loan of $20 million from the Federal Reserve Bank of New York against 50 million ounces of silver. Although the agreement was made, it was necessary to devise its formal announcement in a way that would forestall possible protests from Congressional silverites and Japan. The press release specified neither the amount of the transaction nor the terms of the loan or credit. It simply mentioned Treasury’s “purchases from the Central Bank of China of substantial amounts of silver” and Sino-American “dollar exchange for currency stabilization purposes.”117 To avoid any impression that it was involved with diplomacy subjected to the State Department, the agreement was made between the U.S. Treasury and the Chinese Ministry of Finance, not between the U.S. and Chinese governments. This agreement resulted in alleviating Nanjing’s budgetary difficulties and helped Nanjing manage its financial reform. In fact, the Chinese simply accepted Morgenthau’s terms and gained his favor in return.

After the silver purchase deal, Hornbeck kept his eyes on Chinese attempts to acquire further U.S. loans or credits. In July, he learned that the Chinese were lobbying for a U.S. credit
of $30 million to purchase U.S. cotton and sell it to Germany and then purchase U.S. weapons. Hornbeck immediately opposed the Chinese plan.\textsuperscript{118} He also suspected that the Chinese plan was inspired by Morgenthau who was eager to sell agricultural surpluses in foreign countries. Thus, he advised Hull to ask Morgenthau about the detailed aspects of his talks with Chen.\textsuperscript{119} In the meantime, the British Treasury’s decision to provide loans for China alarmed Hornbeck. Hornbeck had successfully nullified the China loan recommended by Forbes’s mission in 1935. Yet, the British financial mission to China in 1935 resulted in a British loan project in late 1936. This was a new element of irritation to him, because America was expected to take a parallel action. Accordingly, Hornbeck became more watchful about Chinese attempts to gain further U.S. loans throughout 1936 and 1937.

Instead, another major U.S. purchase of Chinese silver, this time 62 million ounces, came from an agreement between Morgenthau and Kung in July 1937. Morgenthau noted to Kung that Roosevelt “wanted me to do everything possible for China to continue our very pleasant friendly relations.”\textsuperscript{120} According to this agreement, Treasury would purchase 62 million ounces of Chinese silver held in America at 45 cents per ounce in exchange for gold held by the Federal Reserve Bank in New York and that, if requested by the Chinese government, up to $50 million credit would be provided to “stabilize the yuan.” Again, the Treasury’s press release did not specify the amount of transaction.\textsuperscript{121} By the time of this agreement, Japanese troops had already begun to spread into China following the Marco Polo Bridge Incident near Beiping (Beijing). By this time, the Treasury Department had agreed to nearly $100 million in silver purchases.\textsuperscript{122} Morgenthau had gained confidence in dealing with the Chinese since K. P. Chen’s mission. On Nanjing’s part, it secured an important channel to Washington, because Morgenthau, who came
to have great confidence in Chen, was willing to consider Chinese demands more sympathetically in the forthcoming years when China needed financial aid for her struggle against Japan.

**Financial Origins of the China Lobby**

The so-called China Lobby, widely known after the 1940's, could be traced well into the mid-1930s in the sense that Chiang’s GMD government had sought financial support from Washington in a somewhat unorthodox manner beginning in the mid-1930s. Nanjing had not yet based its professional lobbyists in Washington. That would not come until after 1939. Yet, the way in which the Chinese gained access to and negotiated with American officials after the Manchurian Crisis increasingly deviated from the standard channels of diplomacy. It was largely because the State Department refused to deal with China openly, while the President actually allowed the Treasury Department to negotiate with the Chinese on a “monetary” basis. Sino-American relations in the forthcoming years actually rested on this monetary basis, and China’s diplomatic lobbying activities were expanded on this monetary basis.

The State Department was well aware that China’s financial crisis of the mid-1930's was largely due to the American silver policy. Yet, it refused to make any significant action in response to Chinese appeals, while objecting to Treasury’s initiative. This is not to imply that the Treasury Department was more willing to take responsibility for the silver crisis than the State Department. Treasury had had no better understanding of China’s silver crisis until after the Chen mission than the State Department. Rather, Treasury official Harry Dexter White’s memo to Morgenthau in 1936 emphasized that American silver policy was simply not responsible for
Like the State Department, the Treasury Department refrained from actions for long because of pressures from the silverites. Yet, its focus on international relations over China differed from that of the State Department. Whereas the State Department assumed its non-interventionist policy as a best means to insure American interests in East Asia, Treasury saw intervention as a necessary step to forestall foreign financial dominance in China. Morgenthau’s aid to China did not initially seem to have been so much motivated by his “sympathy” with China as by his rigid anti-Japanese attitudes and his deep suspicion of foreign attempts to establish their financial blocs in China. Young, Nanjing’s American advisor, described Morgenthau’s attitude toward China as follows:

These protracted negotiations [on silver in 1935-1936] were very frustrating to us in China, especially as we were in the dark concerning the motivation of the New Deal. American action had been a major cause of the difficulties that finally forced China to act [the currency reform]. . . . Morgenthau and Roosevelt were disposed to help China and to counter Japan’s aggressive action but steering clear of serious involvement. Although these motives eventually were decisive, Morgenthau’s attitude all through his incumbency in this period and after war began in 1937, was colored by a suspicion of China’s leaders and their advisors and failure to understand the real nature of China’s financial problems.

In other words, Nanjing’s access to the Treasury Department, though easier than that to the State Department, was a desperate, rather than a deliberate, choice. The way in which Sino-American negotiations were conducted in an unconventional manner was initiated by the Treasury Department with the backing of the President, because the State Department did not want to take responsibility for the outcome of any formal agreement with China. This laid a pattern for Sino-American relations in which the Chinese would appeal to the Treasury Department rather than to the State Department for financial aid in the coming years.
Notes


2. Hornbeck, the son of a Methodist minister in Massachusetts, grew up in Illinois and Colorado. Graduated from the University of Denver and Oxford University as a Rhodes scholar, he taught at the University of Wisconsin and universities in China in 1907-1913, and earned a Ph.D. in international law at the University of Wisconsin under Paul Reinsch, a disciple of historian Frederick Jackson Turner. In 1919, Hornbeck joined the American delegation to the Paris Peace Conference and worked as a technical aide to the State Department in 1921-1924. See Shizhang Hu, Stanley K. Hornbeck and the Open Door Policy, 1919-1937 (Westport, CN: Greenwood Press, 1995), 13-19, 41-57.

3. Ibid., 67.

4. Gregory S. Prince, Jr., “The American Foreign Service in China, 1935-1941: A Case Study of Political Reporting” (Ph.D. diss., Yale University, 1974), 202-206. Hornbeck once wrote that “almost no Oriental considers that he is under any obligation, either moral or legal, in relations to a pledge which he has made under duress. . . . As for the Chinese, the nation as a whole has never shown any respect for treaty obligations inconvenient for themselves.” See Hornbeck’s memo, November 21, 1931, Hornbeck Papers, Box 453, quoted in Doenecke, The Diplomacy of Frustration, 85-87.


7. Hornbeck to Stimson, October 17, 1931, Hornbeck Papers, Box 453, quoted in Doenecke, The Diplomacy of Frustration, 74.


10. Hornbeck to Bullitt, January 11, 1934, Hornbeck Papers, Box 454, quoted in Hu, Stanley K. Hornbeck, 175.


15. MacMurray quoted the statements of the Nine-Power-Treaty that stipulated the powers “to refrain . . . from countenancing action inimical to the security of such states” to prove that the powers actually promised not to threaten Japan’s security interests in Manchuria. Also, he pointed out the fact that the treaty agreed to “respect” China’s integrity, not to “defend” it. See John V. A. MacMurray, *How the Peace Was Lost: The 1935 Memorandum, ‘Developments Affecting American Policy in the Far East’*, ed. by Arthur Waldon (Stanford, CA: Stanford University Press, 1992), 19-20.


20. Stimson had relied on advisors he had brought in from outside, such as Allen T. Klots, Harvey H. Bundy, and James Grafton Rogers, while making Hornbeck feel alienated. See Hu, *Stanley K. Hornbeck*, 132-33, 139-40, 177-79; Thomson, “The Role of the Department of State,” 86-87.


28. Johnson to Hull, January 15, 1936, *FRUS* (1936), IV: 11. Johnson also expressed his opinions that a Sino-Japanese peace settlement would not be feasible, that the U.S. and Britain should wait to see the development, and that Japan’s move was essentially against the Soviet Union. See Ibid., 11-14.


32. Unlike Stimson, Hull had brought nobody into the State Department as his own assistants and remained on the whole aloof from other State officials and cabinet members. See Thomson, “Role of the Department of State,” 87-88.


39. John Gunther, *Roosevelt In Retrospect* (New York: Harper & Brothers, 1950), 158. His maternal lineage, the Delanos and Warrens, had been engaged in trade with China from the late 18th century, and his grandfather was a U.S. trade representative during the Civil War.


41. Ibid., 19-20, 30.


44. For the most part, Morgenthau’s successful career was due to support from his father and FDR. His father was a German-Jewish diplomat as well as a major financial supporter of the Democratic Party. Morgenthau, Jr. received a huge farmland in New York’s Dutchess County from his father and came to know FDR there during the mid-1910’s. His public career began when FDR was elected New York Governor and gave him a job in 1928. Once President, FDR appointed Morgenthau to head the Federal Farm Board in early 1933, then Acting Secretary of the Treasury in November 1934, and finally Secretary in January 1935 to replace the ailing William Woodwin. See John Morton Blum, *From the Morgenthau Diaries*, vol. 1 (Boston: Houghton Mifflin, 1959), 1-34; Garraty Carnes, ed., *American National Biography* (New York: Oxford University Press, 1999), 863-64; Henry Morgenthau, III, *Mostly Morgenthaus* (New York: Ticknor & Fields, 1991), 243-75.

45. Jones, *Fifty Billion Dollars*, 304-06. Jones wrote that, though he maintained a cordial relationship with Morgenthau, few in the government liked him who was always serious-minded and suspicious of outsiders of his own circle.


49. After his violent break with the Chinese Communist Party (CCP) in April, 1927, Chiang claimed to speak for a unified China and obtained international recognition of his regime in 1928. In 1929, Chiang announced the tutelage dictatorship of the GMD in accordance with Sun Yat-sen’s three stages of Chinese revolution: 1) the military unification of China; 2) the political tutelage under a party dictatorship; 3) the fulfillment of constitutional democracy.


51. Mei-ling Soong was Chiang’s third wife. Her father, Charlie Jones Soong, was an American-educated, Christian who became a millionaire Chinese in the early 20th century. Charlie’s friend Sun Yat-sen remarried his second daughter, Ching-ling. Charlie’s oldest daughter, Ai-ling, married H. H. Kung, a rich banker and later Finance Minister and Vice-Premier of the GMD. T. V. Soong, Charlie’s son, was also a powerful banker and served as Finance Minister and Vice-Premier and later as Foreign Minister. Chiang enhanced his political authority through his familial linkage to Sun and made access to foreign capital through the Soongs and Kungs. See Sterling Seagrave, *The Soong Dynasty* (New York: Harper & Row, 1985), 256-66.

53. In principle, the highest organ of the GMD government was the Party National Congress. In practice, however, the Central Executive Committee (CEC) was supreme. Yet, the CEC was regularly supervised and often dominated by the Army, and the CEC’s functions were actually taken over by the Supreme National Defense Council after August 1937 because of war with Japan. See The Chinese Ministry of Information, China Handbook, 1937-1943 (New York: The Macmillan, 1943), 84-88; “The New China,” Fortune, 23 (April 1941): 94-95, 116-19.


56. The Chinese Ministry of Information, China Handbook, 57; By the late 1930's, six nations (the U.S., Britain, France, Japan, the Netherlands, and Brazil) had maintained spheres of influence or extraterritorial rights in China. A few other countries also took advantages of various foreign concessions in China. See Chin-Chun Wang, “China Still Wants the End of Extraterritoriality,” Foreign Affairs, 15:4 (July 1937): 745-49.


60. Ibid., 336-42. Nanjing’s American financial advisors, notably Arthur N. Young and J. Lossing Buck, helped its financial access to Washington. The first American financial mission to Nanjing was arranged by Sun Fo, Sun Yat-sen’s son, in 1928. In 1929, the “Kemmerer” Commission began its mission to help Nanjing’s currency and tax reforms. The members of this mission included Young, F. A. Cleveland, Oliver C. Lockhart, F. B. Lynch and few others. J. Lossing Buck’s case was different in nature. He went to China for a private reason.

61. Lattimore, China Memoirs, 138.

63. Hornbeck’s memo, October 2, 1931, Hornbeck Papers, Box 453, quoted in Doenecke, *The Diplomacy of Frustration*, 69.


65. Japan had long sought financial dominance in China. The “twenty-one demands” to China in 1915 included Japan’s preferential capital investment for railways, mines, and harbor, which also forced the Chinese (Beijing) government to employ “influential Japanese subjects as advisors for conducting administrative, financial and military affairs” (Article V of the Twenty-One Demands). Japan’s “special rights” in China were recognized by the United States in 1917 by the Lansing-Ishii Agreement. Japan also tried to exclude Manchuria and Mongolia from the China Banking Consortium, while criticizing any bilateral financial agreement between China and any Western participant in the Consortium (the U.S., Britain, or France) on grounds that it was to be contrary to the spirit of Consortium. About the China Banking Consortium, see Young, *China’s Nation-Building Effort*, 362-63.

66. Rajchman was born into an affluent Jewish family in Warsaw in 1881. He studied medicine in Paris and London, engaged in the Polish Socialist Party during the early decades of the 20th century, and led the Health Section of the League of Nations after 1921. Though a fervent socialist in Poland, Rajchman maintained wide-range personal connections with influential Europeans, regardless of ideological lines. Because of his secretive and powerful lobbying connections, he was also rumored to be a prominent member of international Freemasonry. See Marta A. Balinska, *For the Good of Humanity: Ludwik Rajchman, Medical Statesman* (Budapest, Hungary: Central European University Press, 1998), 1-61, 105-07.


68. *Ibid.*, 342; Borg, *The United States and the Far Eastern Crisis*, 56; Young, *China’s Nation-Building Effort*, 342-43. The two experts were Sir Arthur Salter, the Director of the League’s Economic and Financial Section, and Robert Haas, the Director of the Transit and Communications Section.

69. Balinska, *For the Good of Humanity*, 93-95.

70. Young, *China’s Nation-Building Effort*, 382.


73. Rosenberg, *Spreading the American Dream*, 181.


75. The China Consortium of 1920 consisted of banking groups from the United States, Britain, France, and Japan. It never made a loan to China, however. According to a State Department legal advisor, any loan to China would not violate the agreement of the China Consortium but in “spirit.” Hornbeck, who never wanted to offend Japan, took “the spirit” as an excuse of his refusal to Soong’s suggestion of a new consortium that would render loans to China from Western countries but not from Japan. See Hu, *Stanley K. Hornbeck*, 172-74.

76. *Ibid.*, 180-84; Borg, *The United States and the Far Eastern Crisis*, 75-78. On April 17, 1934, Eiji Amau, one of Japan’s Foreign Ministry spokesman, stated at a press conference that Japan would oppose any foreign (Western) aid to China. This was a casual statement, stimulated in part by Rajchman’s activities in China.


78. Young, *China’s Nation-Building Effort*, 385.


82. Bullitt was born in 1891 to a wealthy family in Philadelphia. Graduated from Yale University, widely traveled Europe, and worked in the State Department since 1917, he took diplomatic missions to Europe as FDR’s personal envoy before taking the ambassadorship in Moscow. Though vigorous and intelligent, he was often emotional and intolerant to differing opinions. His close relationship with FDR became sour after 1940. See Orville H. Bullitt, ed., *For the President: Personal and Secret* (Boston: Houghton Mifflin, 1972), v-xivi.


89. Soong’s connection with Rajchman seems to have been both personal and exclusive. Thus, Rajchman initially had difficulties winning Chiang’s confidence, though Chiang considered him to be a useful tool for China’s publicity abroad. Also, Arthur Young, a closest foreign advisor to Soong, claimed that he did not necessarily share all the information with Rajchman and, later, criticized him for being pro-communist. See Balinska, *For the Good of Humanity*, 89, 163, 274; Arthur N. Young, *China and the Helping Hand, 1937-1945* (Cambridge: Harvard University Press, 1963), 170-71; Arthur N. Young, *China’s Wartime Finance and Inflation, 1937-1945* (Cambridge: Harvard University Press, 1965), 231-32.

90. For domestic and international motives for the Silver Purchase Act, see Allan Seymour Everest, *Morgenthau, the New Deal, and Silver: The Story of Pressure Politics* (New York: King’s Crown, 1950), 12-50.


92. Blum, *From the Morgenthau Diaries*, vol. 1, 206.


96. Blum, *From the Morgenthau Diaries*, vol. 1, 208.


98. Ibid.

99. Ibid.


103. Young, *China’s Nation-Building Effort*, 234-36.

104. Morgenthau’s memo, November 9, 1935, Morgenthau Papers, Box 11.

106. Morgenthau’s memo, February 10, 1936, Ibid., Box 17.


108. Spagent to Morgenthau, February 10, 1936, Ibid., Box 17. Chen was noted as a self-made man of humble origin, a graduate of Saint John’s University at Shanghai and the University of Pennsylvania in 1909, having sought to avoid political affiliations.


110. Hull to Peck (Counselor of the U.S. Embassy in China), March 4, 1936, Ibid., IV: 467-68. Yet, Johnson immediately informed Hull that Chen had been actually instructed by Kung to formalize the cotton and wheat loan. See Johnson to Hull, March 6, 1936, Ibid., IV: 408.

111. Lochhead to Morgenthau, April 4, 1936, Morgenthau Papers, Box 20.

112. Hornbeck’s memo, April 22, 1936, FRUS (1936), IV.: 477-79. The Japanese saw China a semi-colony dominated primarily by Japan and Britain. Thus, they tried to persuade Morgenthau to drop his plan by telling him their opinion that China’s financial reform would fail.


114. Morgenthau’s memo, May 8, 1936, Morgenthau Papers, Box 20. Chen informed Morgenthau that of all foreign banks in China, only Japanese banks were refusing to accept Chinese currency and trying to keep Chinese exchange down. Chen also informed Morgenthau that the Japanese were very active in their propaganda through Japanese and Chinese language newspapers in every city of China.

115. Morgenthau’s memo, April 14, 1936, Ibid., Box 21.

116. Young, China’s Nation-Building Effort, 242-43.

117. Morgenthau’s memo, May 18, 1936, Morgenthau Papers, Box 24.

118. Hornbeck inquired William P. Hunt, a lobbyist for the Chinese, about the Chinese project, because he worried about political effects of this loan project. He pointed out that the Chinese government did not have the capacity to pay the credit back. See Hornbeck’s memo, July 21, 1936, FRUS (1936), IV: 496-98; Hornbeck’s memo, August 26, 1936, Ibid., IV: 500-01.


120. Morgenthau’s memo, July 8, 1937, Morgenthau Papers, Box 78.

121. In fact, the loan, of the Export-Import-Bank, was supposed to be used by the Chinese to purchase manufactured goods in the United States until June 1939. See Herbert Feis’s memo, July 8, 1937, FRUS (1937), IV: 10; Press Release by the Treasury Department, July 9, 1937,

122. Young, China’s Nation-Building Effort, 245.

123. A report by the State Department’s Far Eastern Division, February 14, 1935, Morgenthau Papers, Box 3. It stated: “The fact should all the while be kept in mind that the silver purchasing program of the American Government has contributed and will continue to contribute to the financial confusion in China.”

124. White to Morgenthau, undated (1936), The Harry Dexter White Papers, The Seeley Mudd Manuscript Library, Princeton, New Jersey, Box 1. White maintained that China’s depression had already begun in 1932 and her depression was due to other factors -- worldwide depression, currency depreciations, political disorder, Japanese aggression, and natural disasters.

125. Gardner, “The Role of the Commerce and Treasury Departments,” 264. Morgenthau viewed China as a field of game in which the established British sterling bloc, the emerging Japanese yen bloc, and the American dollar bloc contended for the supremacy.

126. Young, China’s Nation-Building Effort, 236-37.
American opinion had been disposed in favor of China against Japan for decades. In addition, China’s propaganda was more widely and effectively presented in the United States than Japan’s during the Sino-Japanese conflict. From 1937 to 1940, a number of factors contributed to affect China’s propaganda activities in America. On the whole, China had better human resources, networks and techniques for propaganda overseas than Japan. In particular, China’s cause was publicized mainly by American missionaries and journalists from China, whose activities were tacitly endorsed by the State Department. Because these Americans reproduced China’s political arguments in America’s cultural contexts, their propaganda never caused outright repulsion in the United States. Japan, by contrast, failed to reverse Americans’ received images of Japan as an aggressor. This chapter will examine how these Americans became, intended or not, the most reliable and unsuspected source of China’s propaganda in the United States. The case of Chinese propaganda before 1941 generally confirms an opinion that successful propaganda galvanized public wishes that had already been established.¹

China’s Propaganda Connections in America, 1937-1938

When the Sino-Japanese conflict became a full-scale, though undeclared, war after the Marco Polo Bridge Incident in July 1937, Americans in China, especially missionaries and journalists, became the main source of information for Americans.² China’s propaganda in America grew after 1937 and relied on sources that were interconnected and yet mobilized at
several different levels. In particular, China’s propagandists worked through a series of “voluntary” associations with American missionaries and journalists. Thus, the GMD never depended exclusively on its own resources in conducting its propaganda in America, but it made a great deal of efforts to encourage pro-Chinese propaganda in America in close connection with its American friends. The cordial relationship between GMD authorities and these Americans was crucial in providing major wartime propaganda for the American public.

In Nanjing and, later, in Chongqing, the GMD’s Ministry of Information issued official Chinese propaganda. Yet, the National Military Council actually dominated the Board of the Ministry of Information and restricted the flow of information in China’s interior. The Board’s International Department, headed by Vice-Minister Hollington K. Tong, censored all foreign dispatches and sent out propaganda materials abroad. Tong hired a few Western journalists in China as censors or propagandists. Maurice Votaw, former American journalist and instructor at the University of Missouri and St. John’s University in Shanghai, worked under Tong. Once a correspondent for the Baltimore Sun, Votaw was so strict in censor that he excluded every news item critical of the GMD. Hubert Freyn, another former publicist in Shanghai, worked in the offices of the Board in New York City. H. J. Timperley, an Australian who represented the AP and the Manchester Guardian in China, was also one of those closely working with the Chinese. In the spring of 1938, Earl H. Leaf, former Far Eastern Manager of the UP, was sent to New York City as the GMD’s liaison officer.

In an interview with J. Lossing Buck in September 1938, Tong claimed: “We are trying to tell only the truth in our publicity.” However, other observers thought otherwise. After the GMD headquarters had fled to Chongqing in October 1938, Tong hired additional foreign journalists as
propagandists. Theodore H. White was one of them. When White went to China in the spring of 1939 as a young reporter, J. B. Powell introduced him to Tong. Tong then promptly assigned White as a propaganda officer at the Ministry of Information. According to White, his job was “to manipulate American public opinion.” In his memoir, White wrote: “The support of America against the Japanese was the [GMD] government’s one hope for survival; to sway the American press was critical. It was considered necessary to lie to it, to deceive it, to do anything to persuade America that the future of China and the United States ran together against Japan.” The AP and Reuters “reported what the government put out.” Even Chiang censored materials: “Some dispatches were held up by the censors until Chiang Kai-shek himself could read them in translation. Any minister of the government mentioned in a dispatch to America was informed by telephone and could hold up the dispatch until he approved it.”

The GMD made efforts to encourage American journalists in China to send home reports that reflected China’s political viewpoints, while blocking all news harmful to China’s interests. Because Chongqing’s communication and transportation systems were not sufficient to attract foreigner reporters, the GMD built new hotels, secured airplane tickets for visitors, provided tour cars for them, and arranged interviews with Chiang and his wife. The Chinese provided extra-services to foreign correspondents. White and his senior colleagues regularly enjoyed their time with Chinese mistresses. Owen Lattimore also recalls in his memoir that during his service as Chiang’s advisor in 1941, his Chinese aide informed him that all Americans with good jobs in Chongqing kept Chinese mistresses. In Chongqing, the GMD, at its own expenses, provided American reporters and visitors with shelters, aides, banquets, and women in an effort to make them help publicize China’s cause in America.
Yet, American journalists and Chinese officials shared a sense of community, because a number of Chinese officials were American-educated, maintained ties with Americans through school connections, and could easily communicate in English. According to Theodore White, the GMD government was “completely penetrated” by American advisors and American-educated officials who “lived, dreamed, thought, spoke to each other in English.”¹³ They even shared shelters, called one another by nicknames, and frequently dined together. Americans used to call H. H. Kung “Daddy Kung” and Tong “Holly.” Frequent Japanese bombing of Chongqing also heightened American sympathy with the Chinese. In this environment, one could hardly be neutral in reports on the Sino-Japanese conflict. According to a 1939 study of the reports and editorials of the *New York Times*, the *Chicago Tribune* and the *Chicago Daily News* during the period of 1937-38, American news opinion was “distinctively unfriendly to Japan and somewhat less distinctively friendly to China.”¹⁴ Although this trend resulted from many factors, American journalists in China must have been a major factor, because it was their reports that constituted the main source of information about the Sino-Japanese conflict.

As China was increasingly encircled by Japan, Hong Kong, the international settlement in Shanghai, and Manila served as middle stations of communications between the GMD and its bases in America. A few agencies in America were consolidated or created to promote China’s public images. They included the Trans-Pacific News Service, Inc. (TPNS), the China Information Service, Inc. (CIS), and the American Committee for Non-Participation in Japanese Aggression (Price Committee). In addition, a few relief agencies for Chinese war victims played a role in promoting sympathies with China. These agencies differed in function and yet commonly devoted themselves to the promotion of China’s positive images in America. Of
these, TPNS, the GMD’s official news agency in America, was funded by the GMD’s Ministry of Information and Ministry of Foreign Affairs. In early 1941, TPNS was reorganized into the Chinese News Service, Inc. (CNS) to publish a number of periodicals and films about China’s war efforts. Other publicity agencies working on behalf of the GMD were run mostly by Americans on a “voluntary” basis. Officially, they were American institutions whose activities were not subjected to instructions from GMD authorities. Yet, they operated in close contact with Chinese authorities and functioned to lead American opinion along Chinese political views.

CIS was set up in Washington, D.C. by Frank W. Price, a missionary instructor at the Nanjing Theological Seminary, in September 1937. Price claimed that his work was “voluntary” and received no money from any source, while distributing allegedly “uncensored” information on Chinese affairs through a bi-weekly newsletter *New China*. However, his writings portrayed China as embracing Christianity and democracy and Japan as a destructive enemy to both China and America. Also, through his writings, he occasionally urged readers to support embargoes against Japan and contribute money for Chinese war relief agencies. In fact, Price had been one of Chiang’s missionary advisors who worked for his reconstruction programs. In responding to inquiries about the reliability of news reports from China, Price assured his subscribers that the GMD Ministry of Information and foreign correspondents in Chongqing provided true reports: “You can be sure that the reports from Chungking in your daily papers are much nearer the truth than the Japanese Domei dispatches.” CIS’s mission was apparently to spread China’s propaganda.

CIS cooperated with TPNS to inspire the establishment of a major pro-Chinese lobbying group. Earl H. Leaf, who had returned as a GMD propagandist, headed the “China Information
Exchange,” a sort of branch of the TPNS in New York City. His mission was to coordinate pro-Chinese agencies in the United States. Frank Price contacted his brother, Harry, a former financial advisor to the GMD and a lecturer of economics at Yenching University in Beiping. In late May 1938, the Price brothers called meetings of pro-Chinese activists in New York to discuss the formation of a lobbying group on behalf of China. Leaf joined the meetings. Other participants included B. A. Garside, Executive Secretary of the Associated Boards for Christian Colleges in China; Edward H. Hume, Director of the China Medical Council; Philip J. Jaffe, a managing editor of Amerasia; T. A. Bisson, an editor of Amerasia. In June, Harry Price, on behalf of this group, consulted with Hornbeck and other officials over the role of his lobbying group. Hornbeck, who regarded Harry Price’s work as a positive attempt to dissolve the isolationist sentiment, became his closest advisor in the State Department. Thus, the American Committee for Non-Participation in Japanese Aggression (or the “Price” Committee) began its mission with Hornbeck’s approval. The Committee devoted itself to the issues of embargoes on American exports to Japan, one of the most critical Chinese demands during 1938-1941.

Although Leaf was officially in charge of public relations on behalf of GMD authorities, Frank’s CIS and Harry’s Price Committee never officially represented Chinese authorities. Thus, they were not registered with the State Department as “foreign agents” under the Foreign Agent Registration Act of 1938. In June 1938, alarmed by growing foreign propaganda in America, the U.S. Congress passed the Foreign Agent Registration Act to oblige lobbying or propaganda agents on behalf of foreign countries to register with the State Department. Harry Price actually received funds from Chinese officials and made reports regularly to the Chinese government. In July, he also reported to Hornbeck that Leaf would serve the Price Committee as a coordinator.
However, Roger S. Greene, a prominent missionary-diplomat from China who had joined the Price Committee in July, advised Harry to return the Chinese money and avoid any appearance of being a Chinese front. In order to keep a public image of the Committee as an American group, Leaf resigned from the Committee in early September.²⁴

In practice, Harry Price continued to receive Chinese funds and Leaf continued to be involved with the Committee. Yet, the Price Committee was not registered with the State Department as an agent for foreign principals.²⁵ It remained legally as an “American” lobbying group seeking anti-Japanese economic sanctions. In October, after assisting his brother, Frank Price returned to China where he would send Chinese information to New York and Washington. The formation of the Price Committee shows that pro-Chinese propaganda networks in America were established by Americans who secured State Department acquiescence, if not official approval, for their activities on behalf of the Chinese government. Hornbeck tolerated the spread of pro-Chinese propaganda among these Americans, and even encouraged their activity, as a means of “public education” on the Far East, while avoiding his direct involvement with it. Harry Price regularly sent reports to Hornbeck as well as to the Chinese government.²⁶

Main Points of Chinese Propaganda toward the American Public

One of the most interesting aspects of the Chinese propaganda toward the American public after 1937 was its implication that America should take responsibility for China’s distress and assist China by all means because China was fighting for American ideals and interests in Asia, namely the Open Door principles, Christianity, and democracy. Although not always consistently presented, the components of Chinese propaganda between 1937 and 1939 were
roughly based on the following premises: 1) Japan was the common enemy of China and America, because Japan’s aggression against China was designed to expel all Western forces from the Asian mainland and to replace the Open Door with Japan’s “New Order”; 2) China was a Christian and democratic ally of America, because Chinese leaders were Christian converts resisting Japan to preserve Western legacies in Asia; 3) America was responsible for Japanese aggression in China, because America was providing Japan with most of war materials that were used in killing the Chinese. The gist of Chinese propaganda was to identify China’s interests and ideals with America’s. Through all diplomatic channels, the GMD constantly evoked America’s obligations under the Open Door policy. China’s future role in Asia and the danger of Japanese menace had to be exaggerated. For more immediate objectives, the GMD sought to draw whatever American aid was available. To draw American popular approval, Chinese propaganda portrayed China as a country that was akin to America. In addition, Chinese propaganda constantly evoked America’s lawful and moral responsibilities for China in connection with the American sale of war materials to Japan. The old missionary notion of American “responsibility” for the “salvation” of China emerged in propaganda. Images of “New China,” an Oriental country truly reborn with American Christian and democratic ideals, colored this propaganda. In brief, China’s propaganda exploited the latent American self-images of China.

China’s specific demands for American aid were asserted on the basis of the above-mentioned alleged premises. At the League of Nations in September 1937, Chinese diplomat V. K. Wellington Koo appealed to the international community with the following logic: 1) Japan's aggression of China was an outright violation of the international law and treaty obligations, especially the Nine-Power Treaty and the Kellogg-Briand Pact; 2) Japan's indiscriminate
bombing of Chinese civilians was a grave challenge to a civilized world; 3) Japan's military expansion into China was a direct menace to Western civilization; 4) China's resistance, therefore, was directly connected with the peace of the West; 5) The principle of collective security was the only sound basis for world peace as well as China's well-being. China's appeal for international collective sanctions against Japan, though futile, was aimed at winning over America's leadership. In his speech broadcast to America in September 1937, Koo made "a special claim to the sympathy and help from the United States." He also warned Americans of Japan’s menace with the following comments: "The present situation in the Far East is very much like a case of one's neighbor's house on fire. Unless one helps to extinguish it in time, there is no telling that it will not spread and endanger one's own house." Interestingly, in the following month, Roosevelt made an almost identical analogy in his widely publicized "quarantine" speech in Chicago. Yet, since there was no compelling reason for Americans to identify China’s war as theirs, China needed to devise deliberate, alluring propaganda that would identify America’s interests with China’s. The propaganda efforts were at least to help secure American aid to China and to create a climate for China’s alignment, if not an alliance, with America against Japan.

At the diplomatic level, Chiang Kai-shek tried to affirm his regime as the sole government of China. Because some American experts were skeptical about his reliability as well as his ability to hold on power, it was necessary for him to emphasize his will to continue to fight against Japan and his loyalty to the Anglo-American powers. At the same time, he downplayed his political relations with the CCP and the Soviet Union. Toward the American public, Chiang tried to give impressions that he was a pro-Western, Christian leader deserving American
sympathy, that Japan was a country bent on the conquest of the world, and that China was fighting America’s war.

In cultivating their pro-Western images to the foreign press, Chiang and his wife were advised by foreign advisors, especially W. H. Donald, an Australian. According to James M. McHugh, American naval attache in China who was very close to Chiang, Donald worked very hard for “international prominence of the Chiang Kai-sheks as liberal leaders striving for the advancement of China.” In a confidential report in September 1938, McHugh wrote that Chiang failed “to eliminate reactionary, inefficient and corrupt elements from the Government” but his “position as a nation-wide symbol of resistance to Japan . . . has become definite.” Behind the scenes, McHugh wrote, was the effort of Donald:

He [Donald] has advised them [Chiang and his wife] what visitors to see and whom to cultivate; he has written the majority of their statements to the foreign press; he has edited the work of many sympathetic writers and directed the activities of others; and has never lost an opportunity to extoll them and their efforts to the many foreign contacts who constantly seek him out.\(^\text{30}\)

Besides, Chiang seemed to have a firm belief that Western powers would inevitably get involved in the Sino-Japanese conflict. Again, McHugh wrote that “even after the failure of such formal instruments as the League and the Nine Power Treaty . . . he has continued to cling to the idea that he is fighting a battle for all democratic nations, and that ultimately they cannot fail to come to China’s aid.”\(^\text{31}\) Advised by an able Western advisor and convinced that China would win Western aid, Chiang strived to identify China’s fate with the West’s.

Chiang himself conducted propaganda efforts toward the American public through his missionary advisors and in radio broadcasts. On December 16, 1937, after the fall of Nanjing, Chiang warned that Japan’s aggression in China was “the initial phase of her plan for world
conquest.” On April 16, 1938, Chiang delivered a radio address entitled “Why I Believe in Jesus” to emphasize his Christian faith. In a message to friendly nations on the first anniversary of “China’s War of Resistance,” Chiang stressed that “peace is indivisible, isolation is impossible.” On February 20, 1939, Chiang handed J. W. Decker, Chairman of the Associated Boards for Christian Colleges in China, his special message to American Christians. Chiang also instructed overseas Chinese to actively participate “in all pro-Chinese activities within the laws of the countries” where they resided. In his message on the second anniversary of the war, which his wife broadcasted in English over the NBC network, Chiang again warned of Japan’s plan of “world conquest” and Japan’s “challenge to the West,” and asked for U.S. embargoes on exports to Japan:

Since we have been fighting not merely for our own existence, but also in the common interests of other nations, we feel justified in appealing to the Powers to apply economic sanctions without delay. . . .You are no doubt aware that the sale to Japan of war materials . . . makes it possible for her to continue cold-blooded mass murder of innocent Chinese civilians.37

Madame Chiang or Mei-ling (May-ling) Soong was a much more effective propagandist than Chiang, because she spoke English, maintained broad connections with Americans, and was seen as a successful symbol of American-educated Chinese. She enhanced pro-Western images of China by providing interviews, writing letters, contributing to magazine articles, and publishing books in America, while directly appealing to churches, women’s clubs, colleges and labor unions in America. She made emotional and touching appeals to Americans, contrasting the American people’s inherent sympathies with China and the American government’s political inaction toward China. Her emotional appeal was shown in her address to the American people in early September 1937: “Tell me, is the silence of Western nations in the face of such
massacres, such demolition of homes and dislocation of businesses, a sign of the triumph of civilization with its humanitarianism, its code of conduct, its chivalry, and its claims of Christian influence? Her letter to the New York Times on June 12, 1938, emphasized China’s road to democracy and the American government’s responsibility for China as follows:

To my mind, our destiny is with the democracies, because our people are inherently democratic in nature and spirit. . . . Those of our people who question the advisability of our keeping in with the democracies point out that it is the amazing studied neutrality of the democracies that enables Japan, without any restraint, to continue killing our people, violating our women and making a wilderness of all of our territory that she has been able to penetrate. . . . I emphasize that there has to be very clear demarcation between the people and governments of the democracies; that we must not be unprofitable to the will of the many to help, but that we should be profoundly and sincerely grateful for it.

Another letter to the New York Times the very next day seemingly referred to American policymakers by criticizing “those who have hitherto been, perhaps unconsciously, obstructionists to national progress by virtue of their failure to cooperate in forwarding different lines of public endeavor.” Like her husband, she downplayed China’s relations with the Soviet Union in an effort to identify China’s fate with the West’s. Thus, in another letter to the New York Times in July, she declared: “Virtually there is no communism in China, if you mean people under the influence of the Third International. . . . China has no deal with Moscow. Indeed, the Russian attitude toward China is exactly similar to that of the so-called Imperialists.” In fact, the Soviet Union was the only country providing massive aid to China at that point.

Like her husband, Madame Chiang frequently inserted references to her religious faith in propaganda materials to arouse Christian support for China. In early April 1938, she sent a message praising foreign missionary work to the General Conference of the Methodist Church, and announced the removal of restrictions on the compulsory teaching of religion in Christian
schools in China before a gathering of 150 American and British missionaries. In fact, this removal came in response to a $5 million relief drive of the U.S. mission boards for Chinese war victims. In a pamphlet entitled “My Religion,” which was distributed by CIS in 1939, she claimed that “God has given me a work to do for China.” She frequently sent letters to her American friends, and, in subsequent years, published such books as This Is Our China and China Shall Rise Again. Like her husband, she called for U.S. aid to China on an alleged assertion that China was America’s fellow Christian, democratic country. Yet, unlike Japanese leaders, the Chiangs were able to make use of the American media for propaganda purposes.

Many of the Americans who wrote books or contributed articles regarding the Far East had career backgrounds in China. In general, American magazines reflected their support for China over Japan, and their assessment of the Sino-Japanese War sometimes corresponded with that of the Chinese. Above all, Henry Luce’s Time, Life, and Fortune brought favorable images of wartime China into millions of American minds, portraying China as progressing toward Christianity, democracy, and providing America’s prospective market under enlightened leaders who were bravely fighting Japanese aggressors. Time magazine celebrated Chiang and his wife as the man of the year of 1938, characterizing their marriage as one being lined under Christian influence and modern republicanism. Life magazine effectively publicized Japanese atrocities and Chinese heroism through a periodic presentation of photographs from China. For instance, on July 18, 1938, Life showed pictures of a Chinese play in which a Japanese soldier was attacking a Chinese woman with her baby, and commented that “Japanese atrocities in China have been slurred over rather than exaggerated in press reports.” Life later even compared Chiang with George Washington, and declared that Chiang was “a man of remarkable courage.
and resolution” and “a converted Methodist who has now for solace the examples of tribulation in the Christian Bible.” Chiang’s value was sometimes exaggerated in this manner.

Occasionally, other American magazines conveyed similar portrayals of China, partly because Asia’s wartime situation necessitated Americans to distinguish China from Japan in their usual language. Some echoed Chinese propaganda. Religious-affiliated magazines, such as the Chicago-based Christian Century, usually celebrated Chiang as a devout Christian leader. The Nation in August 1937 deplored that “China’s importance in the world struggle between dictatorship and democracy has not been generally recognized in this country.” A Collier’s’ staff writer, referring to Japanese destruction of schools in China, reported: “That’s what a dictatorship, fighting a democracy - even if it’s not very democratic democracy as in China - would do first.” Harpers in December 1937 carried an article about “China’s progressive National Government,” which was written by Carl Crow who also published several pro-Chinese books. Even scholarly journals like the American Journal of Sociology celebrated China’s resistance to Japan in terms of a triumph of “Western-trained intellectuals.” The Reader’s Digest in April 1939 carried popular writer John Gunther’s article that characterized Chiang as a devout Christian and as “the strongest Chinese individual since the great days of the third century B.C.” who was “fighting a foreign invader, and not his own people.” Collier’s in October 1939 claimed what Chinese propaganda might emphasize: “From the best evidence available, the Japanese are dreaming of world conquest in case they win in China.”

American-educated Chinese like Hu Shih and Lin Yu-tang stayed in America to promote China’s images as a democracy. Hu Shih became China’s ambassador to America in October 1938. According to Life magazine in 1941, Hu returned funds sent to him from Chongqing for
propaganda purposes, reportedly saying: “My speeches are sufficient propaganda.” Like China missionaries, he carried on propaganda under no official instructions. Yet, Hu himself believed that public opinion would ultimately determine Washington's policy. He was neither politically affiliated with Chiang nor a member of the GMD, but he carried out a high-level publicity to American elites on China’s behalf. As the best-known Chinese advocate for liberal democracy, Hu constantly reminded Americans that China was America’s future democratic ally. Similarly, Lin Yu-tang, another successful Chinese intellectual, had been in the United States since 1935 and had helped spread pro-democratic images of China through his popular books and articles.

American Reactions to the Sino-Japanese Conflict: Relief and Boycotts

When Kenzo Takayanagi, a Japanese scholar, tried to explain Japan’s invasion of China as a natural movement originating in efforts to solve population pressure and stalled industrialization, Herbert Hoover responded negatively, citing Japan’s aerial bombardment of Chinese civilian population as the one factor which had turned ordinary American citizens against Japan. Japanese bombing of civilians in China created concerns which were two sides of the same coin. One was a humanitarian concern of how to relieve Chinese suffering and the other was a moral concern of how to check the flow of war materials which helped Japanese bombing in China. The trouble was the increasingly-publicized fact that America was the major producer of arms, munitions and war materials to Japan.

The Neutrality Act of 1937 included a mandatory arms embargo that prohibited the sale of arms, munitions, implements of war, private loans to all belligerents, and barred U.S. citizens from traveling on belligerent ships. The President had the authority to determine whether there
existed a state of war applicable to the law, but could not discriminate against aggressors in applying the embargo. Roosevelt did not apply the Neutrality Act to the Sino-Japanese conflict on the ground that neither side had declared war. Had the law applied to the Sino-Japanese conflict, it would have affected China more adversely than Japan, because China, unlike Japan, lacked the capacity to manufacture arms and munitions. With no invocation of the Neutrality Act, however, Japan could produce arms with various materials imported from America. As a compromising solution, the administration suggested “voluntary” measures. In January and May 1938, Roosevelt asked the Red Cross to undertake war relief work for Chinese civilian victims.60 On June 11, 1938, the State Department announced a “moral embargo,” which asked civilian exporters to restrain exports of aircraft armaments, engine parts, accessories, aerial bombs, torpedoes, and oil refining equipment to countries engaging in the bombing of civilian populations. By encouraging private actions, Washington expressed its opposition to Japan’s aggression, while seeking to avoid America’s direct involvement in the Sino-Japanese conflict.

As the Sino-Japanese conflict extended, many reports from China stimulated public sympathy for Chinese victims and antagonism to Japanese bombing, and editorials in American papers condemned Japanese actions in China. In September 1937, a writer for the New Republic observed: “A good many of my friends . . . frequently utter the fervent wish that the Japanese army now in China should be destroyed to the last man, that Japan herself should be invaded and conquered, and that her great cities should experience the horrors of aerial bombardment such as have lately been inflicted upon Shanghai and other Chinese communities.”61 The Christian Century in early October observed: “American sympathy with China in its present hour of suffering war and danger is so great, and American condemnation of Japan’s ruthless aggression
so strong, that there is no possibility of maintaining that neutrality in thought and word as well as in deed. . . . We rejoice at every shed of news indicating a stiffening of Chinese resistance, and we hope that by some military miracle - if it requires one - the Japanese forces will be defeated and driven into the sea.”62 The American Mercury in February 1938 observed: “Most Americans like the Chinese quite well, respect their conspicuous good qualities, and are offended by the barbarity which the Japanese display in raiding their territory.”63 The Nation in June 1938 reported: “Never in history has the civilian population of a city been subjected to such merciless bombings as Canton has undergone in the last fortnight.”64 No doubt, many stories about Japanese atrocities were sent from missionaries and journalists in China. The Reader’s Digest of October 1938 introduced letters from missionaries in China in which Japanese atrocities in Nanjing were vividly described.65 Carl Crow, a veteran journalist in China, also presented eyewitness reports about Japanese murder, loot, rape, and plunder: “The cruelty of the Japanese army in China is one of the blackest pages in history. Barbarian invasion of ancient days furnish no parallel.”66

Fierce hatred of Japan, combined with abhorrence of aggressive war, promoted sympathy for the Chinese underdog. According to a Gallup poll of American views in September 1937, 43% had pro-Chinese sympathies and only 2% were pro-Japanese. One month later, pro-Chinese sympathy had risen to 59% and pro-Japanese sentiments went down to 1%.67 In a Fortune poll of July 1938, 29.4% of the American people called Japan’s invasion of China the most disturbing event of all foreign affairs, while 22.8% thought Germany’s seizure of Austria was worse.68 Yet, the vast majority of the interviewees expressed their wish to avoid any involvement in the Far Eastern war. In January and February 1938, the Gallup poll revealed that 70% supported
American withdrawal from China, 64% disapproved arms sales to China, and only 19% favored risking war with Japan; 40% opposed it. A *Fortune* survey in April 1938 showed that only 35% of the interviewees opposed American withdrawal from China and only 16% were willing to risk a war with Japan. American polls showed that the vast majority of the people were anti-Japanese and yet isolationist. A rough popular consensus was that America should condemn Japan’s aggression in China but should avoid any serious involvement in the fighting itself. Accordingly, Americans sought to express their opposition to Japanese aggression in China, mainly through two risk-free means: private relief activities for Chinese war victims and voluntary economic boycotts against Japanese goods in America.

When Japanese troops moved into China proper after July 1937, one immediate concern was how to protect American life and property in China. Although many Americans evacuated China early in the conflict, a large number of missionaries chose to remain and became an important source of information. Before the *Panay* Incident of December 1937, it was reported that only about 300 of some 6,000 missionaries had left China. Many missionaries resisted the demands of the State Department and home mission boards for their withdrawal. Reports of Japanese mistreatment not only evoked Washington’s duty to protect Americans abroad but also brought public antagonism toward Washington’s inaction. Also, the missionaries’ role increased with the war, because their missions became directly related to war relief activities for the Chinese. Although home mission boards, especially concerned about their programs in Japan, took no official position on the war, the Federal Council of Churches and the General Conference of the Protestant Episcopal Church adopted resolutions of protest in October and November 1937 against Japanese aerial bombing in China.
America supplied substantial medical supplies for the Chinese. In 1937, there were two hundred sixty-eight mission hospitals accounting for 75% of the total number of civilian hospital beds in China. Shortly after the war broke out, the National Christian Council of China (NCC) appealed abroad for relief funds and formed a War Relief Committee to disburse these funds to local relief institutions such as missionary hospitals, the YMCA, the New Life Movement Associations, and Christian colleges. American Red Cross contributions were distributed by the American Ambassador to China with the assistance of the American Advisory Committee for Civilian Relief in China.\textsuperscript{73} To raise relief funds for Chinese victims, a few relief institutions were mobilized in America. By April 1938, several relief agencies, including the American Bureau for Medical Aid to China (ABMAC), the Labor’s Committee for Civilian Relief in China, the Women’s Auxiliary of Labor’s Committee, the New York Women’s Committee for Civilian Relief in China, and the China Emergency Civilian Relief, Inc. merged their efforts into the United Council for Civilian Relief in China (UCC). Colonel Theodore Roosevelt, Jr., former governor general of the Philippines and son of the former President, headed UCC with the initial aim of getting support from the four million men and two million women who were affiliated with labor organizations. UCC formed 2,000 “Bowl of Rice” parties throughout the nation and organized fundraising campaigns held in hundreds of cities and towns.\textsuperscript{74} In addition, the Foreign Missions Conference of North America launched a campaign for a $5 million relief fund in April. In September, the Church Committee for China Relief of the Federal Council of Churches of Christ proclaimed “the largest united campaign for humanitarian relief ever undertaken by the Protestant churches of the United States.”\textsuperscript{75}

In China, Madame Chiang hosted relief activities funded by American agencies. As
honorary chairman of the ABMAC, she communicated regularly with Colonel Roosevelt. Later, in July 1940, Mrs. James Roosevelt, Roosevelt’s mother, assumed the honorary chairmanship of the China Aid Council, which provided needy supplies to Madame Chiang’s war orphanages. Around the same time, Pearl Buck founded the China Emergency Committee and invited Eleanor Roosevelt to be its honorary chairman for the purpose of raising $1 million for the distribution of medical supplies for Chinese war victims by ABMAC. In China, missionaries and businessmen formed the American Advisory Committee of the Church Committee for China Relief in Shanghai to distribute American funds. The founder of CIS, Frank Price, headed the Nanjing International Relief Committee in 1938. In the United States, all these relief efforts needed large scale publicity through organizations which reached down to local churches.

In a letter to the New Republic of November 1939, Nathaniel Peffer, previously an editor of the China Press and currently a lecturer at Columbia University, appealed for medical aid to China “not as a partisan of China, but as one who believes that Americans will never long remain unresponsive to the appeal of human need anywhere.” Peffer exhorted: “A few dollars - a few cents - from enough Americans, and America will have done an act of benefaction, of mercy, which will mean the difference between life and a terrible death for millions of innocent Chinese.” To a large extent, relief campaigns for the Chinese reinforced the missionary images of Sino-American relations in which America’s altruistic motives were pronounced. Yet, China relief agencies never achieved their initial fundraising goals. Moreover, after mid-1939, major foreign war relief efforts were directed to Europe, and China became a secondary arena. In the first six months after the outbreak of the European War in 1939, more than 400 war relief groups emerged and allocated over $10 million in contributions for European victims. China’s share was
minimal. According to Frank Price, relief funds sent from the Church Committee for China Relief, perhaps the largest of all China relief organizations, before June 1939 amounted only about $213,681.\textsuperscript{79} The contributions for Finnish relief in a month-and-a-half were three times the contributions made through the churches for Chinese relief in a year-and-a-half.\textsuperscript{80} In spite of this comparative public indifference to the Chinese, relief activities helped publicize how China was suffering from Japan’s aggression.

Consumer boycotts of Japanese goods were also a means of expressing American condemnation of Japanese bombing, without taking the risk of direct involvement in the Sino-Japanese conflict. Popular boycotts against Japan began in Britain and extended to America. Some thought, while doubting their effectiveness, that a consumer boycott was the best non-violent method of opposition to Japanese aggression.\textsuperscript{81} After October 1937, the American League against War and Fascism and the American Friends of the Chinese People launched organized boycotts against Japan.\textsuperscript{82} In particular, The Nation urged a boycott of Japanese goods as the most practicable means of opposing Japanese aggression in China. In January 1938, the magazine declared that its campaign was bringing striking successes with support from the AFL, the CIO, the American Student Union, and various religious organizations and chain stores.\textsuperscript{83} Also, the Committee for a Boycott Against Japanese Aggression launched boycott campaigns.\textsuperscript{84} In 1939, this Committee was reorganized into the American Boycott Against Aggressor Nations.

However, isolationists attacked the boycott as a potentially dangerous movement which might bring Japanese retaliation. In March 1938, Senator William E. Borah of Idaho criticized the boycott for “being propagandized in the name of patriotism” by private firms.\textsuperscript{85}

The impact of the boycott was highly questionable, except that it reinforced anti-Japanese
sentiment among the American people. Actually, Japanese imports were mostly non-competitive goods which could not be easily replaced by U.S. products. Thus, labor unions and manufacturer associations called for a boycott only of Japanese manufactured goods while the bulk of Japanese raw silk continued to be imported. Three public opinion polls regarding boycotts of Japanese goods were taken between 1937-1939. In the Gallup poll of October 1937, only 37% favored boycotting Japanese goods. According to a Fortune survey of April 1938, about 65% favored the boycott while 25% opposed it. In the Gallup poll of October 1939, 66% remained in support of the boycott. However, many of those who favored boycott were boycotters in principle but not necessarily in action. A 1939 study of the anti-Japanese boycott concluded that the boycott of the consumption of Japanese-made silk products had only a slight effect and that the boycott was responsible for only about 28% of the decline in silk imports from Japan. However, the boycott movements had a considerable effect in spreading anti-Japanese sentiment, because the publicity for the boycott was nation-wide and reached many ordinary people, through posters, stickers, radio talks, magazine advertisements, pamphlets, and mass meetings. Like pro-Chinese relief activities, boycotts were strongest in the northeastern region with middle class and professional groups being the most active boycotters.

In sum, until after 1939, U.S. activities to help Chinese war victims and boycott Japanese goods were relatively small in scale and meager in result. But they helped propagate anti-Japanese sentiments for numerous ordinary Americans through churches, private clubs, labor unions, and schools. It is noteworthy that comparatively few pro-Chinese forces could mobilize a nation-wide movement without special appeals to any linguistic, ethnic, and cultural groups.
The Americanization of Chinese Causes: Issues of Economic Sanctions

The hottest issue of American policies regarding the Sino-Japanese conflict in 1938-1941 was the imposition of discriminatory embargoes on American exports to Japan. This question, again, revealed Washington’s unwillingness to take any drastic political steps which might endanger America’s diplomatic relations with Japan as well as public repulsion of involvement in the Asian war. As in the movements for war relief and boycotts, sympathy for China did not quickly develop into demands for concrete actions. Again, China missionaries played the initial role in publicizing the issue and the American press increasingly responded to the missionary demands. Because this issue was directly related to policy measures that might lead to a serious involvement in the Sino-Japanese conflict, pro-Chinese propaganda focused on how to influence American debates over this issue of economic policy.

Although sporadic, most early demands for discriminatory sanctions against Japan came from those with missionary backgrounds in China. As early as September 1937, Reinhold Niebuhr pointed out that “all the friends of China, including, particularly, missionaries to China now in this country, are with a surprising degree of unanimity opposed to mandatory neutrality.” While opposing the invocation of the Neutrality Act which would be more detrimental to China than to Japan, American friends of China called for a special measure to stop the export of war materials to Japan. On the other hand, others argued that Washington should invoke its Neutrality Act in light of the Sino-Japanese conflict. However, they increasingly accepted the criticism that American exports to Japan were assisting Japan’s ongoing aggression in China and that such trade was morally unjustifiable. As early as September 1937, The Nation declared: “The United States has, in effect, taken sides in the Far Eastern
conflict, and aligned itself with the aggressor.” Yet, most Americans were initially indifferent to this issue and took no definite position.

Because missionaries viewed their pro-Chinese activity as part of their mission, they applied a kind of religious teaching to their advocacy that Americans must accept a share of responsibility for China’s distress. The thrust of missionary campaigns was to make Americans feel guilty and take responsibility as Christians. And their advocacy increasingly gained support from church leaders and the media. E. Stanley Jones, former missionary to China, declared in October 1937 that “we should ask the Christians of the world, apart from governments, to institute an economic withdrawal from Japan as an economic implementation of our moral condemnation. . . . Our hands that buy and sell are stained with the blood of Chinese.” Shortly after Roosevelt’s “quarantine” speech of 1937, former Secretary of State Henry L. Stimson sent a letter to the New York Times:

Our abhorrence of injustice and oppression causes us universally to sympathize with China. . . . The lamentable fact is that Japan’s aggression is being actively assisted by our own nation and the other great democracy, the British Commonwealth. Indeed, without our assistance the aggression would be promptly checked. . . . Our recent neutrality legislation . . . won’t work. . . . In the grave crisis in the Far East we not only must not fear to face issues of right and wrong, but we must not fear to cooperate with other nations who are attempting to face those issues.94

Lin Yu-tang, in a New Republic article of January 1938, argued that “America could enforce an embargo on shipping and there will be no war.” In February 1938, an American missionary in Japan said that “America must bear her share of responsibility for Japan’s being what and where she is today.” The Nation of April 1938 deplored the fact that American exports of scrap iron to Japan had increased from $14,177,000 in 1936 to $39,278,000 in 1937. Collier’s’
correspondent Jim Marshall, who had directly suffered from Japanese bombing on the Panay, declared: “Without [the] United States as a great storehouse of cotton, lumber, copper and oil, Japan cannot operate an Oriental war. . . . We must, for cash, furnish her the sinews not only for her Chinese conquests, but for - ironically enough - blasting us completely out of China, morally and commercially.”

It was, however, Eliot Janeway’s article to Harpers of June 1938 that presented the first articulated data on America’s selling war materials to Japan, items which covered an estimated 54.5% of Japan’s entire import of war materials. Janeway affirmatively concluded: “The Japanese menace is made possible by American exports.”

The Christian Century commented that Janeway’s article “shocks the conscience” and declared: “Without American bombing planes such slaughter of defenseless civilians would never have taken [place].”

Washington’s announcement of a “moral embargo” on aviation gasoline in June 1938 was a response to these criticisms of the American sale of war materials, especially following the Japanese bombing of Canton in May. Following the announcement of a moral embargo, the American Community Committee of Shanghai, composed of ten missionary organizations and the American Chamber of Commerce, asked Cordell Hull to take drastic diplomatic action against Japan. After mid-1938, detailed data on American trade with Japan helped validate missionary criticism that America was guilty of perpetuating its trade of war materials with Japan.

According to historian Donald Friedman, the formation of the Price Committee was inspired by Janeway’s articles. As indicated by its official name, the “American Committee for Non-Participation in Japanese Aggression,” the Committee’s aim was to end America’s “economic assistance to Japan in her illegal invasion of China” and crystallize America’s “public
support for appropriate unofficial and governmental action in checking the flow of munitions and credits into Japan.” The Committee identified itself as a voluntary organization inspired by a growing recognition that “America was, in effect, a powerful ally of Japan for her program of conquest in Asia.” Initial members of the Committee consisted mainly of those with missionary and journalistic careers. As the organization reflected a missionary ethos, the Committee argued that America was guilty of assisting Japan’s aggression in China. This attitude was well expressed in its booklet entitled “America’s Share in Japan’s War Guilt,” of which 22,000 copies were distributed in August 1938 alone. Many were addressed to members of Congress, State Department officials, and key leaders in various academic, civic, labor union, and church organizations. By January 1939, the Committee included Henry L. Stimson as honorary chairman, and Robert E. Speer, former president of the Federal Council of Churches; Josephine Schain, head of the National Committee on the Causes and Cure of the War and the American Union of the Concerted Peace Efforts; Admiral Harry E. Yarnell, former commander of U.S. Asiatic fleet; and William Allen White, a renowned journalist, as vice chairmen.

The Committee contributed articles and letters, written by its members, to major periodicals, sent Congress petitions, distributed its own publications, and contacted members of Congress for the enactment of embargoes on trade with Japan. The Committee members and those affiliated with the Committee publicized the information about American sale of war materials to Japan with a moral indictment. The Christian Century of December 1938 carried China missionary Henry Van Dusen’s article as follows:

American Christians are directly and intimately involved in supplying materials of war to Japan. . . . It is probable that a careful scrutiny of the investment portfolio of every large university, every Christian board, every theological seminary in the
land would disclose some portion of its capital lodged in enterprises whose present income is partially derived from sale of war materials to Japan. Every recipient of salary from such institutions . . . is immediately implicated in Japan’s successful aggression. . . . On the next pay day, it might be salutary for every such recipient to remind himself that his salary check is conveying to him ‘blood money’ derived from the destruction of a great and peaceable nation and the wholesale slaughter of its innocent and friendly people.108

The next issue of the Christian Century declared: “Nothing disturbs the conscience of the Christian church in the United States quite so much as the part which this nation is playing in arming Japan.”109 T. A. Bisson, editor of Far Eastern Survey as well as Amerasia and an active member of the Price Committee, explained America’s involvement in furnishing war materials to Japan: “Out of this total $488,000,000 of Japanese imports from this country, it is an underestimate rather an overestimate to assign $300,000,000 to essential war materials. . . . We must face our share of responsibility of this state of affairs.”110

In January 1939, the Price Committee declared that it would work for the enactment of embargoes against American sales of iron, steel, oil, and trucks to Japan.111 In March, the Committee sent Congress petitions signed by 175,000 New York state citizens for an embargo against Japan.112 In May, the Committee sent Congress pro-embargo petitions signed by 150,000 citizens in 13 states.113 Frank Price helped the Committee’s campaign by sending a message from Chongqing. The Christian Century highlighted his telegram on May 6, 1939: “URGE YOU AROUSE CHRISTIAN CONSCIENCE AMERICA AGAINST SUCH BRUTALITY SUPPORT ECONOMIC NONCOOPERATION JAPAN.”114 Amerasia introduced a letter from Chongqing saying: “It is impossible for us who sit here and watch this ghastly wholesale slaughter not to feel shame and indignation that from the gasoline which brings the Japanese planes here, and from the steel and iron of which the murdering bombs are made, we Americans are making profit.”115
Collier’s sarcastically pointed out that the Japanese “appreciate being able freely to buy from us munitions and supplies needed for the war on China; but sneer at the uneasiness that lies between our conscience and our purse.”116 In mid-June, the Price Committee sent Congress a petition of embargo legislation drafted by its member Robert Speer and signed by 61 prominent clergymen throughout the nation.117

By early 1940, the Price Committee had distributed two different booklets of 80,000 copies, six different leaflets totaling 658,000 copies, and various fliers of 100,000 copies.118 Of these publications, the single most widely distributed was a leaflet entitled “Christian Hands of America,” 200,000 copies of which were distributed. This leaflet illustrated how the missionary outlook of China was linked to the Committee’s propaganda for economic sanctions against Japan. In this leaflet, the Sino-Japanese conflict was characterized as a war in which America was actively helping to destroy a country whose modern aspects had been built by America’s Christian missions. Thus, it declared: “In no other Oriental country had Christian leadership been so prominent or so transforming” and “it was largely Christian men and women who were more and more guiding the destiny of the swiftly developing new China.” Furthermore, “it was America who had most consistently and most unselfishly played the part of China’s friend and supporter in all the complexities of international relationships.”119

In 1937, however, the aggressive Japanese militarists struck China with “a policy of deliberate savagery and cruelty” and, in response, “all the Chinese people have kept their courage, their sanity, their will to endure, their calm determination to resist to the end.” Soon, the Chinese discovered that “the staunchest ally Japan has had in her invasion of China has been the United States.” Because “America is supplying Japan about 80% of the materials imported to
keep her war machine going forward in China,” the Chinese people had to “see materials we
have supplied used to destroy churches and schools and hospitals built by sacrificial American
giving.” After all, “America has the responsibility for deciding whether Japan’s aggression in
China will continue or will cease.” The leaflet asked readers to disseminate the information “as
widely as possible” in their communities, to send letters and telegrams to political leaders from
local congressmen to the President, and to pray “earnestly” for the cessation of American military
aid to Japan.120

The Committee also had several volunteers who conducted extensive speaking tours
throughout the nation. The most talented was Dr. Walter H. Judd, a medical missionary from
Shaanxi province, who gave over 1,400 talks on behalf of the Committee.121 In a letter to his
fellow missionary in Beiping in February 1938, Judd explained that his main concern was not
“the fate of China,” because the Chinese would ultimately win the war through “their own
peculiar racial and cultural tenacity.” His main concern was America’s moral obligation to
China, the world, and itself. Judd proclaimed: “If I pray for justice, I have to pray that my own
country will suffer as she has helped cause China to suffer. If that is treason, then it is treason.”
As a missionary, Judd was concerned about moral questions: “The moral authority of the
missionary enterprise is gone, as long as the church is quiescent or acquiescent in the present
ghastly iniquity.”122 Judd maintained that none of passive anti-Japanese protests would ever
work, and the fear of war with Japan would not solve anything in the future. His advocacy was
reinforced by other speakers. In March 1939, George W. Shepherd, Chiang’s most trusted
missionary advisor, also returned to the U.S. for a speaking tour and for fundraising.123
Missionary speakers like Judd and Shepherd virtually Americanized Chinese causes with their
moralistic version of the Sino-American relationship.

In April 1939, the Committee issued its first survey of American editorial opinion, based on 453 daily newspapers in all 48 states between November 1, 1938, and April 7, 1939. It concluded that 70-80% favored some governmental action to stop trade with Japan.124 This conclusion was roughly consistent with the Gallup survey of June 1939, which indicated that those with pro-Chinese sympathies had increased to 74% while those with pro-Japanese remained at 2%. More importantly, 72% now supported an embargo on arms and munition sales to Japan.125 Although the Price Committee’s exact contribution to the growth of popular support for anti-Japanese embargoes is hard to measure, it is noteworthy that the Committee was the only major organization which devoted itself to the issue of anti-Japanese sanctions on behalf of China. Thus, the Price Committee and other pro-Chinese forces affiliated with it led to major American discussions over a trade embargo with Japan.

The effect of the pro-sanctionist campaign in the United States was felt even in China. Ambassador Johnson wrote a letter to Hornbeck on November 26, 1938, expressing his worry that “the Chinese people may turn against Americans.” He was afraid of the negative impact of American propaganda on Chinese sentiments:

But the propaganda that is being carried on in the United States against our supplying Japan with munitions is getting back here now with a slant that might become dangerous in the future, namely that we are the chief suppliers of oil, gasoline and material necessary to Japan for the making of bombs and the conveying of the bombs into the most remote parts of China in order that they may be dropped upon innocent and unprotected Chinese civilians. Chinese leaders with whom I have recently talked asked me why the United States Government does not stop this. I do not know the kind of an answer that will take care of this. The Chinese need only translate into Chinese and circulate the kind of comment that is being got out to shame our own people to action by the well disposed Americans that are conducting the campaign in the United States.126
Johnson’s letter suggests that American propagandists for anti-Japanese economic sanctions were more eager than their Chinese counterparts to criticize the U.S. stance on the Sino-Japanese conflict and to defend China’s cause. Indeed, most of them did not disseminate propaganda under Chinese instructions. Rather, they distilled and polished Chinese causes, and, by translating them into American cultural contexts, virtually created a new public picture of Sino-American relations. And the Chinese increasingly relied on these propaganda efforts in pressing the U.S. government. Most of these American publicists were experts on China, and they drew on an upgraded vision of Sino-American relations, which magnified American sense of responsibility for China. In this sense, they were more than propagandists. This is perhaps the main reason why, in spite of China’s disadvantages in manpower, funding, and organization, China’s propaganda could appeal to the American public in the years to follow.

Official Reactions to Demands for Economic Sanctions

Although Hornbeck supported the activities of the Price Committee, he never actively responded to its demands for economic sanctions against Japan. In principle at least, Hornbeck was in fact a supporter of those sanctions. However, his plan for embargoes was subordinate to a policy of avoiding confrontation with Japan. At the same time, he shared with Hull a view that embargoes or other strong measures against Japan were not to be made on behalf of China but on behalf of Western interests in China and elsewhere in Asia. Thus, State’s two major actions against Japan from 1938 to 1939, the “moral embargo” in June 1938 and the notification that the U.S. intended to terminate the 1911 Treaty of Commerce and Navigation with Japan in July 1939 were not motivated by desires to help China. Likewise, the President and Congress were
primarily concerned about European interests in Asia, not about China’s.

The “moral embargo” of June 1938 aimed to discourage the issuance of licenses on the export of aircraft to countries making use of the aircraft for military attacks on civilians. Japan was not singled out by name, but the embargo was in response to Japan’s aerial bombing of civilians of Canton in May. Hornbeck was willing to support bolder expressions of disapproval, and Hull reluctantly approved protests against Japan.127 It was merely a policy to discourage aircraft manufacturers to limit the sale of aircraft to Japan and Spain on a voluntary basis. Echoing the moral embargo, Key Pittman, chairman of the Senate Foreign Relations Committee, introduced a resolution condemning Japan’s bombing of Chinese civilians. At the same time, Senator William H. King suggested the severance of diplomatic relations with Japan, and Senator Bennett Champ Clark and Senator Arthur Capper asked for special embargo legislation against Japan.128 But these moves remained no more than rhetorical protests. Also, Hull made no commitment in response to Chinese requests for further action along the lines of the moral embargo.129

The State Department did not lack hardliners who wanted a tougher policy toward Japan, although their voices rarely translated themselves into policy. Not long after the moral embargo had been announced in June 1938, Hornbeck received various reports urging a tougher policy toward Japan. John Carter Vincent, a China expert in the Far Eastern Division, called for active measures, including financial aid to China and a revision of the 1911 commercial treaty with Japan.130 Around the same time, Harry C. Hawkins, Chief of State’s Division of Trade Agreements, also reported to Hull on the possibility of terminating the commercial treaty with Japan. Hawkins warned, however, that a revision or termination of the treaty had few reliable
justifications, because “there was no clear evidence of discrimination against American trade in Japan” and the termination “would have little effect upon the present trade situation.” If State wanted to terminate it, Hawkins urged, “notice of termination not be given on the ground that Japan has violated the treaty” because “Japan would doubtless charge that we have violated at least the spirit of the treaty ourselves.” Thus, the termination should be announced “without an explanation or merely with the statement that it [the treaty] no longer corresponds to present-day conditions and requirements.” However, it was almost one year later that Hull, following Hawkins’s formula, indicated the U.S. intention to terminate the 1911 commercial treaty.

The State Department examined the political feasibility of various economic proposals against Japan during the first half of 1939. In January, Vincent again submitted a report to Hornbeck, urging embargoes against Japan with the abrogation of the commercial treaty. He argued that the objective of such measures was not to “get Japan out of China” but to “prevent Japan from consolidating her position in China and drawing sufficient strength therefrom to allow for further aggressive action in other fields which would seriously menace our interests and probably lead us to war.” Geopolitically, he argued, aid to China and “limited” trade restrictions against Japan would “prove distinctly troublesome to Japan should she become involved elsewhere.” He assumed that Japan’s retaliation against America was not likely to lead to war. Hornbeck reviewed the opinions from three other officers in the Far Eastern Division. Two of them preferred a policy of “watchful waiting” that was to discourage the actual implementation of embargo measures, while the other was in favor of Vincent’s plan for a pro-sanctionist policy. Ambassador Johnson agreed with those advocating a tough policy and endorsed a course of policy toward limited trade restrictions against Japan.
Hornbeck remained indecisive. On the one hand, he agreed with Ambassador to Japan Joseph C. Grew’s opinion that “nothing short of force can restrain Japan,” and concluded that economic sanctions, if not backed by armed force, “would prove ineffective, harmful to American interests.” Nevertheless, he favored a step toward economic sanctions, because he thought that “moral opposition” to Japan had failed and the alternatives for U.S. policy were “economic opposition” and “military opposition” in turn. Yet, Hornbeck regarded “economic opposition” as a transitional step toward war. Thus, he maintained that the actual economic sanctions should be implemented only after shaping a new policy framework that would risk war with Japan. Until all conditions were ripe for such a policy, America should not provoke Japan. He would not initiate a shift in policy nor press for economic sanctions. He would simply help create conditions for a policy of “economic opposition,” by allowing the campaigns of the Price Committee and by urging Hull to endorse the abrogation of the commercial treaty with Japan.

In early 1939, Ambassador Johnson began to urge a sustained policy of economic aid to China and economic sanctions against Japan. In his opinion, Chiang had proven that he was capable of resisting Japan’s conquest. In February 1939, Johnson wrote to Roosevelt that, if financially aided by the United States, the Chinese “will be able to continue this resistance indefinitely” and “prolong the conflict to the point where Japan will be exhausted economically, culturally, and physically.” Also, the Ambassador pointed out that “Japan will understand force and will yield only to superior power” and that “Japan cannot complete its adventure in China without the financial assistance of the United States.” His conclusive message was that both British and Japanese empires in Asia had failed, and America had no choice but to create a new order with an independent China.
However, the State Department’s concern about the revision of the commercial treaty with Japan was inspired not so much by desires to impose trade embargoes against Japan but by the need to eliminate its disadvantageous elements to America. According to Francis Sayre, an Assistant Secretary of State, the existing commercial treaty with Japan prevented America from “taking various actions such as export embargoes or tariff discriminations against Japan, whereas it does not prevent Japan from discriminating against American trade in China nor does it prevent discrimination in Japan through exchange control measures in a most flagrant way.” Yet, he informed Hull that, even though the need to revise the treaty was “unanimously” agreed in the State Department, “the Far Eastern Division feels that a move at this time to modernize the Treaty would have political repercussions and that we therefore should do nothing at this time.” In particular, Hamilton opposed any political gestures which indicated America’s intention to impose trade embargoes against Japan.

Meanwhile, the Price Committee lobbied Senator Key Pittman and Senator Lewis B. Schwellenbarch to revise the Neutrality Acts so that a discriminatory embargo against Japan could be enacted. In 1939, twenty three possible revisions of the Neutrality Act were suggested, among them the Thomas and Pittman bills. The Committee especially favored the first, since it provided for the imposition of restrictions on the export of arms, munitions, war implements, and other war materials to any belligerent country that violated a treaty to which America was a party. By contrast, the Pittman bill proposed repealing the arms embargo and placing all commerce between America and belligerent nations on a “cash and carry” basis. In fact, the Committee and the Chinese government protested the cash and carry stipulation which would be a much greater obstacle to China than to Japan, because China lacked both money and ships. On
April 27, Pittman introduced a separate bill that would bestow on the President the power to embargo trade with any nation violating the Nine Power Treaty. Sayre, however, warned Hull against this.139 Congress and the State Department were unwilling to support either the Thomas bill or Pittman’s separate bill, favoring Pittman’s “cash and carry” bill because it was considered to be useful in aiding Britain. Congress as well as the State Department were primarily concerned about Japan’s aggressive move against Western interests in Asia, not about China.

The decision to terminate the commercial treaty with Japan came abruptly on July 26. It was motivated by the so-called Tianjin Incident, a British-Japanese dispute over jurisdiction within the International Settlement of Tianjin in June.140 As a protest against Japanese pressure on the British, Senator Arthur Vandenberg introduced, on July 18, a resolution calling for the abrogation of the 1911 treaty of Commerce and Navigation with Japan. Hull was unwilling to support it. While the Senate Foreign Relations Committee postponed a decision on the resolution, an Anglo-Japanese agreement on the Tianjin Incident was released on July 24. According to this agreement, the British fully recognized the special rights of the Japanese troops in Tianjin, and the Japanese regarded this agreement as applicable to all treaty ports in China. In response to this news, the President quickly authorized the Vandenberg resolution, hoping that the action would offset the weakened British position in the Far East by giving Japan a warning of economic sanctions.141 Two days later, Hull reluctantly notified the Japanese Ambassador that America intended to terminate the 1911 Treaty of Commerce and Navigation between the two nations within six months.142 This termination, to be effective of January 26, 1940, would remove Japan’s most favored nation status and the legal basis for trade between the U.S. and Japan.

This rather quick decision was not a response to numerous proposals for a policy that
valued China’s role in resisting Japan. Nor was it a legal protest against Japan’s treaty violations. No apparent reason for the decision appeared in Hull’s notification. In essence, the decision was a warning against Japan’s outright attempt to exploit the weakness of the Western powers’ stance in East Asia. Thus, Hull had no intention to take any step toward economic sanctions against Japan, and Hornbeck never pushed the issue over Hull’s objection. Although Hull’s notification on July 26 was a decision that was not designed to defend China, it boosted Chinese morale. When the outbreak of war in Europe soon followed, the strategic value of China as a buffer against Japan’s advance into Western colonies in Southeast Asia sharply increased. Ever more than before, Washington needed Chiang to continue his fighting against Japan.

Hornbeck’s Views of Chinese and Japanese Propaganda in America

Some observers warned of China’s misleading propaganda in America. *Pacific Affairs*, a journal concerned with Asia-Pacific regions, sometimes conveyed such criticism. In an article in December 1936, it criticized China for a deliberate misconception of East Asian affairs and for galvanizing popular illusions that China would become a Western-style democracy led by Western-educated intellectuals. An article in June 1937 criticized that Western countries did not question China’s methods of overseas propaganda while criticizing Japan’s. In September 1939, economist Elizabeth Boody Schumpeter, in *Pacific Affairs*, argued: “There is a very real difference of opinion between the experts on the one hand and the general public and propaganda groups on the other hand as to whether or not sanctions would stop the war in a relatively short time and with no special risk.” Indeed, such prominent commentators as Walter Lippmann, William Henry Chamberlain, and A. Whitney Griswold did not think that America had any vital
interests in the Asia-Pacific to justify confrontation with Japan. In their view, accommodation with Japan and the avoidance of embargoes against Japan were necessary elements in America’s global strategy, and sympathy for China should be separated from diplomatic and strategic thinking. Their stance was in parallel with that of the State Department.

As far as propaganda was concerned, however, the State Department did not take a neutral stance. Japan launched extensive propaganda activities in both China and America with the “China Incident” in 1937. In her occupied areas in China, Japan developed "tours of inspection" to show foreigners the prosperity of Japan's “New Order” in Asia, and hired a number of Americans for Japanese propaganda in America. In 1938, the Japanese Diet reportedly appropriated $2 million for Japanese propaganda in the U.S., which was more than any other foreign nation. In 1940, Japan allegedly spent $7 million for propaganda in the United States. Although such Japanese propaganda was more heavily financed than its Chinese counterpart, Japan lacked adequate sources and connections for propaganda in America. Above all, the Japanese lacked latent sympathy from Americans which might help mobilize public opinion. The American public impression of Japan as an "aggressor" was so strong that it was not disposed to listen to Japanese arguments. The Japanese government for years had vigorously supported exchanges, visits and had highlighted other goodwill gestures, but few Americans sympathized with Japan’s political aims. This was, of course, due to the accumulated images of Japan as America’s inevitable enemy, built up over decades. Yet, it also reflected the poor quality of Japanese propaganda overseas. In a letter of December 3, 1937, to a Japanese, Ambassador Grew wrote that “the Chinese propaganda abroad has been more effective than the Japanese propaganda . . . on reliable neutral evidence.” Grew was among the few Americans
who sincerely tried to defend the Japanese. Yet, he found that “her [Japan’s] case is not strong
enough if based on the current hostilities and the way in which they [arguments in propaganda]
have been carried out.”

Back home, another major American official, Hornbeck, paid keen attention to Japanese
propaganda. In March and October, 1938, he warned Sumner Welles of Japanese propaganda in
America, comparing it to adulterated foods. By October 1939, under the Foreign Agent
Registration Act, 123 agents were registered for Britain, 38 for Japan, 23 for France, 21 for
Germany, 19 for Spain, 18 for Italy, and 6 for Russia. Japan’s agents ranked second in number,
while China’s did not even appear on this list. The State Department closely watched the growth
of foreign agents from Japan and Germany. Especially after the State Department had notified
Japan of the abrogation of the 1911 commercial treaty in July 1939, Japanese propaganda was
stepped up to prevent the actual abrogation from taking place. China’s counter propaganda
against Japan grew correspondingly. In October 1939, Hornbeck reported to Hull that the New
York Journal of Commerce had been spreading Japanese propaganda among businessmen,
assuring Hull that “I came upon indications of Japanese propaganda in business circles in several
connections.” These several connections referred to those working for China’s propaganda
efforts. In particular, Earl Leaf provided Hornbeck with critical information. As Hornbeck
began to think seriously about Japan’s strategic moves after the outbreak of war in Europe, he
paid more attention to Japanese propaganda in America.

In November 1939, Leaf submitted to Hornbeck a confidential report on Japanese
propaganda connections in America. Admitting that his report had been written originally for the
Chinese government and that he had handed over information about the Japanese connections to
the F.B.I. and other American agencies, Leaf contended that Japan was conducting the most expensive propaganda in America. Tokyo sought to exploit American fear of involvement in war as well as a fear of communism. In America, Japanese propagandists targeted business leaders, Catholics, and blacks, because the first group was perceived to be receptive to their propaganda on economic grounds, the second on Chinese-Russian communist connections, and the third on Japan’s “New Order” that was designed to exclude the “whitemen” from Asia. Tokyo sent out numerous “goodwill” missions, led by Japanese business leaders, to all major American cities. Japanese consulates in America held lavish receptions for local American leaders and mailed Japanese propaganda to them. Also, Tokyo invited hundreds of American businessmen, teachers, and Catholic clergymen to Japan for “cultural exchanges” at its expense. Yet, all these activities, including sending out gifts, were clumsy, and Americans simply ridiculed them. Especially after America had notified Japan of its intention to terminate the commercial treaty of 1911 and the European war had broken out, the Japanese intensified their propaganda activities in America. The headquarters of major Japanese propaganda fronts, such as the Japan Institute, the Japanese Board of Tourist Industry, and the Japanese Chamber of Commerce, moved to the International Building of the Rockefeller Center in New York in order to consolidate their activities. Leaf’s report listed other pro-Japanese propagandists and organizations in America. After the U.S.-Japanese commercial treaty of 1911 expired in January 1940, Hornbeck denounced Japanese propaganda for its role in “miseducating” the American public.

Leaf’s reports suggested that the State Department and American intelligence agencies closely watched Japanese propaganda activities in cooperation with Americans who worked for Chinese authorities. Frank Price, the actual founder of the CIS in Washington, also played a role
in providing sensitive information to Hornbeck and others. He regularly sent Hornbeck various pro-Chinese materials, including publications of the GMD’s China Information Committee and his own weekly newsletter, *New China*. Many of these materials were designed to undermine Japanese propaganda in America. His brother, Harry, was also active in propagating Chinese publications and helped him to edit *New China*. Frank, Harry, and CIS secretary Helen Loomis circulated pro-Chinese materials in cooperation with TPNS, the Chinese Information Committee, and missionary and journalistic sources in Asia.  

Hornbeck’s attitude toward pro-Chinese propaganda was quite interesting. He sometimes met with pro-Chinese publicists and exchanged information with them. However, he always took a cautious attitude, detaching himself from any serious ties, because his objective was to use them to help facilitate the administration’s policy. His correspondence with Stimson, who was acting on behalf of the Price Committee, illustrates his balancing act between pro-China propagandists and neutral observers. Although his motive in serving the Price Committee was not to publicize China’s cause but to influence the administration’s policy as a private citizen, Stimson was one of the most powerful critics of the administration’s weak response to Japan’s aggression. Yet, Hornbeck was sometimes disturbed by his criticism. In early March 1939, he responded to Stimson’s criticism of the State Department’s do-nothing policy:

> If, with a purely nonpartisan view and having no partisan interests, I may make bold to say so, it seems to me that the greatest disservice that is being done to the interests of the United States, by American citizens, is that which is being done by certain political leaders who are opposing and hindering and thwarting the policies of the Administration.  

What Hornbeck implied was that he tolerated the Committee’s activities to publicize its partisan views, not because he wanted it to affect the administration’s policy, but because he considered it
useful in educating the general public the necessary issues on East Asia. From his point of view, 
the Committee’s job was to help the administration, not to criticize it.

Hornbeck’s attitude toward propaganda activities on behalf of China or Japan in the 
United States shows a classic example of handling public opinion. Policy-makers are supposed to 
guide public opinion to support their policy rather than to be affected by it in forming their 
judgments. In usual cases, public opinion can be validated when it helps policy-makers to 
perceive and confirm some preferred course of action.\textsuperscript{162} Hornbeck acquiesced in pro-Chinese 
propaganda activities, while keeping a watchful eye on pro-Japanese propaganda, because he felt 
it necessary to guide public opinion in accordance with the administration’s gradual preparations 
for economic measures against Japan. By the same token, his support for pro-Chinese activities 
did not go beyond what the administration expected from them. When Hornbeck sent Stimson 
selected materials on East Asian situations, including anti-Japanese materials provided by TPNS, 
at Stimson’s request in November, he cautioned Stimson that the materials included “numerous 
inaccuracies” and “the lack of balance in the picture.”\textsuperscript{163} Hornbeck never lost a callous sense of 
balance under any circumstances.

The Passage of the National Defense Act, July, 1940

In August 1939, a Gallup poll showed an 82\% approval of an arms embargo against 
Japan.\textsuperscript{164} However, as European events captured more public attention after the outbreak of war 
in September 1939, pro-Chinese propagandists tried to hold public attention to the events in the 
Far East by linking China’s cause to European situations. The main question of economic 
sanctions against Japan was whether that policy would lead to a Japanese-American war or not.
Pro-sanctionists generally assumed that Japan, if economically threatened, would back down. In any case, it didn’t make sense for them to provide Japan with necessary materials that would be used ultimately against Western interests. On the other hand, those who opposed sanctions warned that Japan, if threatened, would gamble to strike Western powers. For them, it was unnecessary to antagonize Japan whose aggression so far had not seriously infringed on Western interests in Asia, especially because America needed to focus on Europe.

In early November 1939, shortly after Congress passed a new Neutrality Act with Pittman’s “cash-and-carry” bill, Stimson and other prominent observers on the Sino-Japanese conflict held a conference in New York to discuss sanctions against Japan. The participants in the meeting included key members of the Price Committee and a few key observers on Asia, including Henry Luce. Though informal, this meeting showed a consensus among East Asian observers that the time was ripe for actual sanctions against Japan and there should be no reversal of the scheduled termination of the U.S.-Japanese treaty. On the other hand, China’s resistance was appreciated. Stimson, as he had advocated, emphasized “the diametrically opposed character of the two civilizations [Chinese and Japanese].” Although the meeting produced no conclusion or resolution, almost all participants agreed to support some economic measure against Japan.

In early January 1940, Stimson argued in a letter to the *New York Times* that Washington should respond to growing public opinion, more than 80% of which favored an embargo on war materials to Japan, in hopes that such an embargo would press Japan to change her policy. His letter urged that Washington implement sanctions against Japan following the termination of the commercial treaty on January 26. Some papers equivocally opposed an official embargo against
Japan in fear of war with Japan, but they admitted that the export of war materials to Japan was a serious problem. Thus, the New Republic maintained that, although it did not favor an official embargo against Japan, the export of war materials did “not sit easily on the American conscience.”168 Likewise, the Christian Century opposed a legal embargo but admitted that its opposition might run “counter to the views of a majority in the American churches.”169 There was at least a consensus that providing war materials to Japan was morally repugnant. The Nation was in solid support of embargoes against Japan and criticized Walter Lippmann, Senator Arthur Vandenberg, and isolationists in general for their belief that the imposition of sanctions would lead to war.170 Other papers, like Harpers, the American Mercury, Collier’s, and the Reader’s Digest, occasionally carried the views of pro-Chinese propagandists.171

However, the Price Committee was deeply frustrated because the State Department was unwilling to support the enactment of any embargo legislation against Japan. The Committee had called for legislation that would restrict the export of war materials to any country violating the Nine Power Treaty. Unable to get positive response to this demand, Price and Greene decided to support the National Defense bill which was introduced in response to the German invasion of Western Europe in the spring of 1940. One section of the bill, which authorized the President to prohibit the export of materials necessary for the defense of America, could be used to stop the flow of war materials to Japan on the ground of domestic needs.172 According to Friedman, the inclusion of this section was largely due to the Committee’s lobbying activity.173 In May, Price and Greene actually tried to persuade Roosevelt, Pittman, and Hull to support the bill. Both houses of Congress did pass it on June 17, and Roosevelt signed it on July 2. With the National Defense Act, the administration had the legal authority to end exports to Japan without further
Congressional consent. Stimson joined the cabinet as Secretary of War at the same time.

After the passage of the National Defense Act, the Price Committee’s campaign declined. Yet, members and supporters of the Committee continued to lobby for the administration’s new East Asian policy. Price was planning to establish a new lobbying organization for U.S. aid to China. Greene, the chairman, worked on behalf of China in the Committee to Defend America by Aiding the Allies, a pro-British lobbying group led by William Allen White, while lobbying Roosevelt and Hull individually. As it turned out, however, Garside, Hume, and Luce managed to create the most successful pro-Chinese publicity agency, the United China Relief, in 1941.

Late in 1940, the Committee conducted another public opinion survey on East Asian policy. According to this survey, 233 of 374 newspaper editorials supported sanctions against Japan, 136 were non-committal, and only 5 were opposed. Of 38 editorials expressing a definite stance on an embargo against Japan, only one opposed it. On the issue of providing aid to China, the Committee found that almost all editorials surveyed were in support of it.174 Thus, the Committee confirmed the fact that American opinion was overwhelmingly pro-Chinese.

By 1940, a pro-Chinese interpretation of the Sino-Japanese conflict set out a new outlook of Chinese affairs, one in which the American sense of moral responsibility to assist China was magnified by war. This corresponded with the increase of Chinese propaganda designed to draw American aid to China. When a group of experts whose first-hand knowledge of China virtually monopolized information at home and the media seized the initiative, their propaganda activities required neither a test of authenticity and nor a suspicion of being propaganda by the general populace. Their rhetoric, epitomized by the Price Committee, was distinctively American, but they also functioned to validate China’s propaganda by proxy. Addressing a Christian sense of
guilt and responsibility, they enhanced China’s causes more than China’s own publicists. Because American friends of China identified China’s causes with America’s moral concerns, China’s causes were presented in the United States as if they were not propaganda. This was perhaps the most extraordinary aspect of Sino-American relations from 1937 to 1940.

From another angle, one can see the relative effectiveness of China’s propaganda in America compared to Japan’s in the Chinese government’s “guanxi” with Americans. Chiang retained a number of so-called foreign “advisors” to his government and provided them with jobs. A number of Americans worked with the GMD as advisors. Their friendship with Chinese officials and their accessibility to China’s policy-makers helped promote sympathetic reports on China. None of these peculiar conditions could be found in Japan. Except for a very few, the Japanese did not even possess professional diplomats who could intimately communicate with Americans in fluent English. Nor did they have any symbolic figures appealing to American sensibilities like the Soongs, nor powerful friends in the American media like Henry Luce. Furthermore, the contents of Japanese propaganda only added to the negative response from Americans. Unlike the Japanese government, Chiang’s government was able to take advantage of Americans’ pro-Chinese sentiments and their friendship with the beleaguered Chinese people.
Notes

1. Although the overall effect of international propaganda depends on the combination of a variety of factors, it tended to be most effective when it helped elicit public responses by reinforcing the existing social and cultural values rather than by attempting to change the public mind with fresh ideas. See Robert Cole, ed., *The Encyclopedia of Propaganda*, vol. 2 (Armonk, NY: M.E. Sharpe, 1998), 616-21.

2. Americans at home had to rely on their reports to know about the war in China. Because missionaries and journalists had the most extensive and efficient communications networks in China, they dealt with most information on China that was available to the American public.


6. Timperley was also working for *Asia*, an illustrated monthly magazine published in America. Pearl Buck’s second husband Richard Walsh, the president of the John Day Company, recruited Buck and Timperley as editors of *Asia* magazine in 1933. See Conn, *Pearl S. Buck*, 159-160.


8. Rand, *China Hands*, 193. White was initially a correspondent of the *Boston Globe*, and later was recruited by Henry Luce as a correspondent for *Time* magazine.


15. Daugherty, “China’s Official Publicity,” 83-84. Located at 1250 Sixth Avenue in New York City, TPNS distributed China’s official propaganda issued by the Ministry of Information. TPNS also sought cooperation with some American pressure groups such as The Fight For Freedom, a pro-interventionist lobbying group, which regularly received information from it. See Mark L. Chadwin, *The Hawks of World War II* (Kingston, TN: Kingsport Press, 1968), 254-55.


17. CIS was located at 945 Pennsylvania Ave., N. W., Washington, D.C. According to his own description in *New China*, Price gathered information from some fifty people in China and sent the information from Chengdu to Helen Loomis, Executive Secretary of CIS in Washington, who distributed the newsletters to subscribers in the United States for free. Price was Chairman of the Board of *New China* whose members in 1941 included American professors at the University of Nanjing at Chengdu, including J. Lossing Buck, and missionaries like George Fitch. See *New China*, 1: 17 (November 3, 1939): 4; *Ibid.*, 3: 13 (December 8, 1941): 1.

18. Frank W. Price was a China-born Presbyterian missionary, once principal of a mission school. He subsequently worked at the YMCA and became a professor at the Nanjing Theological Seminary, earned a Ph.D. at Yale University in 1937-38, and moved to Chengdu because of the Japanese occupation of Nanjing. He was close to the Chiangs as an active member of the GMD’s rural reconstruction agencies in the 1930’s. See A biographical note on Frank W. Price, USC Papers, Box 83; Thomson, *While China Faced West*, 70, 210-12.


20. Harry B. Price was a graduate of the University of Missouri and Yale University. He taught and served as Acting Dean of the College of Public Affairs at Yenching University, the best-known American-sponsored university in China. Harry returned to the United States two weeks before the Sino-Japanese conflict in 1937 began because he had completed a five-year-term at Yenching. Garside and Hume had also been educational and medical missionaries respectively. They led campaigns for relief aid to Chinese war victims and later founded the United China Relief with Henry Luce and others. Jaffe and Bisson were journalists. See 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), 1-4.

21. *Ibid.*, 5-6. The Committee’s main office was located at 8 West 40th St., New York City.


26. Hornbeck’s motive was to advise the Price Committee to help shape public opinion to the effect of the administration’s policy, not to encourage proliferation of the Chinese point of view in the United States. Thus, he critically advised Price, while collecting necessary information from him regularly. Maxwell Hamilton, Chief of the Far Eastern Division, showed little sympathy with Price. Hull met with Price on several occasions and approved the Committee’s educational efforts. See Friedman, *The Road from Isolation*, 17.


29. In his speech in Chicago on October 5, 1937, Roosevelt stated as follows: "When an epidemic of physical disease starts to spread, the community approves and joins in a quarantine of the patients in order to protect the health of the community against the spread of the disease."

30. J. M. McHugh, “Political Situation in China,” September 14, 1938, Morgenthau Papers, Box 158.

31. Ibid.


38. May-ling Soong Chiang, *War Messages and Other Selections* (Hankow: The China Information Committee, 1938), 8. She focused her criticism on Washington’s inaction. As she stated on September 16, 1937, “the Chinese people cannot understand how America can be the first apparently to jettison her long proclaimed friendship with China and abandon her efforts to sustain international respect for the sanctity of treaties.” She also contributed articles criticizing Japan and the U.S. sale of war materials to Japan to *The Forum* and the *New York Herald Tribune*, and sent messages to Wellesley College and YWCA. See *Ibid.*, 19-20, 36, 138, 157.


44. Madame Chiang Kai-shek, “My Religion,” a pamphlet originally written in 1934 and reproduced by CIS in 1939, Hornbeck Papers, Box 57.

45. Luce continued to urge the editors of his magazines to portray China in terms of Christianity and democracy. In 1939, for example, Luce hired John Hersey, who was also the son of a China missionary, to be the Far Eastern editor of *Time*.


54. Collier’s, 104:15 (October 7, 1939): 74.


59. China’s purchase of arms, munitions and war implements from the United States had been larger than Japan’s before 1937. In 1935, China purchased $2,626,213 of these materials while Japan purchased $960,780; In 1936, China bought $7,937,554 and Japan $1,224,918. Of these purchases more than 80% were aircraft and parts. See William W. Lockwood, Jr., “American Neutrality and the Far East,” Far Eastern Survey, 6: 19 (September 15, 1937): 215; After the outbreak of war, however, Japan’s purchase swelled strikingly. From July 1937 to October 1938, China’s purchase was about $14 million while Japan’s purchase reached nearly $11 million. Moreover, Japan profited immensely from large purchases of American raw materials which could be manufactured into military machines. Of the $288 million total imports from the U.S. to Japan in 1937, more than $200 million-worth were considered to be indispensable for the Japanese to wage war in China. Major items of Japan’s imports from the U.S. were raw cotton, iron and steel scrap, pig iron, various kinds of oil, machinery, automobiles and automotive parts, copper, chemicals, wool and wood pulp. They were potential war materials. From 1934 to September 1940, Japan purchased more than 70% of all her foreign scrap metals in the U.S. market, excluding vessels purchased for breaking up. See New York Times, October 26, 1938: 17; Ibid., July 24, 1938: 23; Ibid., September 27, 1940: 4; Japan’s import of steel from the U.S. was 38% of the total U.S. export of steel which constituted only 3% of total American steel consumption, and of about the $53 million-worth Japan’s total import of machine tools in 1937, the U.S. provided more than $40 million. The Far Eastern production of oil was less than 4% of the total world production, even less than 6% of the U.S. alone. Of the Far Eastern production of oil, 82% came from Dutch Indies and only 4% came from Japanese territory. In practice, all of the American crude oil exports to the Far East were destined for Japan. See Eliot Janeway, “Japanese Purchases in the American Economy,” Far Eastern Survey, 7: 11 (June 1, 1938): 124-27; Walter A. Radius, “The Play of Petroleum Forces in the Far East,” Ibid., 7: 18 (September 7, 1938): 207-210. Of course, Japan’s oil imports from the U.S. steadily increased, especially high octane gasoline for Japan’s aircraft engines. According to the Congressional estimates in 1939, the U.S. provided 92.9% of Japan’s copper imports, 91.2% of her automobiles and parts, 60.5% of her oil, 59.7% of her scrap iron, 48.5% of her machinery, and 41.6% of her pig iron imports. See Wilcox, “American Government and Politics,” 817.


76. “Outline of United China Relief, Inc.,” April 2, 1941, USC Papers, Box 19; A copy of “The Purposes and Program of United China Relief” sent to Hornbeck from UCR headquarters, undated (1941), Hornbeck Papers, Box 418.

77. See A biographical note on Frank W. Price, Hornbeck Papers, Box. 354.


81. *Far Eastern Survey*, 9: 1(January 3, 1940): 6. Japanese exports to America consisted mainly of raw silk and silk fabrics, cotton goods, crab meat, tuna fish, tea, toys, and chinaware. In the 1930's, Japan accounted at best for 6-7% of U.S. total foreign trade, but Japan depended on the U.S. for more than 40% of its imports and more than 30% of its exports. In 1937-1939, 51-67% of Japanese exports to the U.S. consisted of silk. Japanese silk was mostly used in America for women’s stocking, men’s necktie, and other garments.


84. The Committee for a Boycott was organized by Frederick McKee, a Pittsburgh industrialist and philanthropist, who involved himself with other pro-Chinese groups including the Price Committee. Later, McKee emerged as one of the most effective publicists on behalf of Chiang. See Wertenbaker, “The China Lobby,” 12.


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101. Ibid., 55: 37 (September 14, 1938): 1083.

102. Friedman, Road from Isolation, 1-2. Janeway himself joined the Price Committee.


105. Original members of the Committee—the Price brothers, Garside, Hume, Bisson—were, formerly or currently, missionaries. Most active publicists and fundraisers for the Committee were also missionaries: George A. Fitch, Secretary of the YMCA in China, and his wife Geraldine; Maxwell Stewart, a former educator at Yenching University and then chairman of the American Friends of the Chinese People and associate editor of The Nation; Roger S. Greene, former director of the Peiping Medical College; Walter H. Judd, a medical doctor returned from China. See Friedman, The Road from Isolation, 7, 10, 12.


107. Friedman, The Road From Isolation, 10-12.


112. Ibid., March 26, 1939: 24.


118. Its booklets were “America’s Share in Japan’s War Guilt” (75,000 copies) and “The Far Eastern Conflict and American Cotton” (5,000). The six leaflets were: “Japan’s Partner -- The U.S.A.” (100,000); “America Supports Japanese Aggression” (125,000); “What Can We Do?” (130,000); “China Faces Japan and America” (100,000); “Christian Hands of America” (200,000); “Suggestions for Committees” (3,000). The main flier was “What One Person Can Do?” (50,000). See “Progress and Program [of the Committee],” Hornbeck Papers, Box 6.


120. Ibid.

121. Friedman, The Road from Isolation, 24. The other speakers were Mrs. George Fitch, Major Evans Carlson, and Freda Utley. They also contributed articles to magazines and wrote books; Judd returned with Robert McClure, a Canadian medical missionary in China, for nation-wide speaking tours on behalf of China. See Masland, "Missionary Influence,” 296; New York Times, September 1, 1938: 11.


124. Friedman, The Road from Isolation, 67-68.


126. Johnson to Hornbeck, November 26, 1938, Hornbeck Papers, Box 261.

127. Utley, Going to War with Japan, 35-37.


130. Vincent to Hornbeck, July 23, 1938, Ibid., III: 234-37. Vincent informed Hornbeck that he had consulted with Frederick Moor, an American advisor to the Japanese Government, and J. Lossing Buck over the matter.


140. Japanese authorities in China sought to move in foreign concession areas on the grounds that the Japanese had the right to search Chinese terrorists operating within the concession areas. In the spring of 1939, the Japanese began to insist their rights over Shanghai, when Western powers were preoccupied with the German moves in Europe. In June, the Japanese made such a case against the British by demanding the return of four Chinese terrorists held by British authorities in Tianjin. Western observers resented Japan’s deliberate tactics to humiliate Westerners in China. In negotiation, Japan demanded Britain dissociate itself with Chiang’s regime. See Utley, *Going to War with Japan*, 58-61; Dick Wilson, *When Tigers Fight* (New York: Penguine Books, 1982), 158-59.


142. Hull to Horinouchi, July 26, 1939, *FRUS* (1939), III: 558-59. In Hull’s official notice, no apparent reason for the termination appeared except for a statement that the treaty needed “new consideration” in reference to “a view to better safeguarding and promoting American interests as new developments may require.”


152. *Ibid*.

153. Hornbeck to Welles, March 25, 1938, Hornbeck Papers, Box 355.

154. A copy of *Star* (magazine), October 3, 1939, in Ibid.

155. Hornbeck to Hull, October 14, 1939, Ibid.

156. See Leaf’s reports to Hornbeck, Ibid., Box 274.

157. Leaf to Hornbeck, “Report on Japanese Propaganda in the United States,” November 1939, Ibid., Box 355. In this report, Japan’s ten propaganda objectives were mentioned as: 1) to prevent the embargo against Japan; 2) to prepare the ground for a new treaty trade; 3) to promote a peaceful mood; 4) to prevent U.S. aid to China; 5) to neutralize American opposition to Japan’s policy in China; 6) to compel the U.S. to follow a “hand off” policy in Asia; 7) to defeat the anti-Japanese boycotts and encourage the sale of Japanese goods; 8) to halt America’s “big navy” construction programs; 9) to pave the way for U.S. investment in the Japanese empire; 10) to secure commercial credits or loans.

158. Ibid.

159. Hornbeck’s memo, February 1, 1940, Ibid. Leaf sent him another lengthy report on Japanese propaganda in January 1941.

160. Harry was based at 414 West 121 St., New York City, Helen at 945 Pennsylvania Ave., Washington, and Frank at Mission Court, 1208 Rennie Ave., Richmond, Virginia, when he was in the United States. Hornbeck collected needy information from these Americans for his own need. See Ibid., Box 355.

161. Hornbeck to Stimson, March 2, 1939, Ibid., Box 402.

163. Hornbeck to Stimson, November 9, 1939, Hornbeck Papers, Box 402. Referring to the list of publications sent to Stimson in his letter of November 3 to Stimson, Hornbeck specifically cautioned Stimson that a document entitled “220 violations of American rights by Japan since the outbreak of the Sino-Japanese war,” written by TPNS might be unreliable.


165. The participants included T. A. Bisson, Far Eastern specialist of the Foreign Policy Association; Raymond L. Buell, an editor of *Fortune* magazine; E. C. Carter, Secretary General of the Institute of Pacific Relations; Samuel McCrea Cavert, Executive Secretary of the Federal Council of Churches; J. W. Decker, Chairman of the Associated Boards for Christian Colleges in China; Roger S. Greene, Chairman of the Price Committee; Edwin W. Kemmerer, a professor at Princeton University; Robert Littell, associated editor of *Reader’s Digest*; Henry R. Luce, publisher and editor of *Time, Life*, and *Fortune*; General Frank Ross McCoy, President of the Foreign Policy Association; Nathaniel Peffer, a professor at Columbia University; Harry Price, Executive Secretary of the Price Committee; and Robert Wolcott, Chairman of the Iron and Steel Independent Producers Committee on Scrap. Senator Pittman was supposed to attend but instead sent a telegram. See “Confidential Notes on Luncheon given by the Honorable Henry L. Stimson” on November 9, 1939, at the Lunch Club, 63 Wall Street, Hornbeck Papers, Box 402.

166. Stimson contrasted “the pacific, clumsy, tenacious nature of Chinese civilization which has survived for thousands of years with less government, perhaps, than that of any other nation, and the feudal, military autocracy of Japan, where the soldier has been the hero and the working man the minion, and where the military caste in control has successfully opposed the more constructive statesmanship of men like Shidehara.” Thus, he expressed “the view that there could not be a patched up peace, glossing over these divergencies, with any hope of durability; that the present struggle would have to be carried through until one of these ideals should win the upper hand.” See Ibid.


170. *The Nation*, 150: 6 (February 10, 1940): 151; Ibid., 150: 25 (June 22, 1940): 746-47; In September 1939, the magazine maintained: “At the moment this country is rendering far more economic aid to Japan than to China. A reversal of this situation through an embargo on the shipment of war materials to Japan might not only save China from further invasion but ease the growing task of protecting our legitimate interests from axis aggression.” See Ibid., 149: 14 (September 1939): 358.


174. *Ibid.*, 68-69. Harry Price, however, later admitted to Friedman that the most decisive factor of American public opinion on the Sino-Japanese conflict was factual information rather than propaganda. In his opinion, the Committee’s job was to interpret events as meaningful concerns for the American public. See *Ibid.*, 86.

175. For instance, Japanese propaganda directed toward the Chinese people often condemned GMD leaders as pro-Western snobs who destroyed oriental cultures and presented Japan as the liberator of Asian people from Western imperialism. This propaganda produced a reverse effect on Japanese propaganda abroad and rather helped validate Chinese propaganda in the West that portrayed China as a member of Western democracies. See [A British observer], “To Have And To Hold,” *Pacific Affairs* (September 1938): 304-306.
Chapter IV
Morgenthau and the K. P. Chen Mission:

Despite the rising public sympathy with China after the renewed Sino-Japanese conflict in 1937, the U.S. State Department continued to undermine China’s efforts to obtain American financial and material aid. However, the Treasury Department sought to secure the President’s endorsement of its own program to aid China despite State’s opposition. Treasury’s program originated in negotiations in 1938 between Secretary Morgenthau and K. P. Chen, head of Chinese delegates, who represented the Chinese Ministry of Finance. To avoid diplomatic entanglements, Treasury devised a U.S. corporation to channel Sino-American trade. Through this relatively unnoticed mechanism, three modest commercial loans totaling $70 million were given to China in exchange for Chinese exports to the United States by 1940. Pushed by Morgenthau, these transactions were approved by the President and acquiesced in reluctantly by the State Department. Through these transactions, China could support herself and maintain her political ties with the United States. Moreover, the conduit that was created by these financial transactions proved a working substitute for more conventional diplomacy between the United States and China in the years which followed.

The State Department’s Early Reactions to the Sino-Japanese Conflict

In the months following the Marco Polo Bridge Incident, the U.S. State Department strived to dissociate America from Sino-Japanese hostilities. State Department rationale for this policy contended that American involvement in Sino-Japanese hostilities, either as mediation or
protest, was not likely to change Japan’s course of action, unless drastic measures were adopted in cooperation with other powers. Such drastic measures, however, might provoke a larger international conflict. Using this line of reasoning, the State Department maintained its neutral, non-interventionist policy in East Asia. In retrospect, however, this policy was not necessarily based upon the reasons given by officials. Rather, State made up and presented such explanations to defend its non-interventionist policy on a case by case basis. It restrained any positive policy toward the Sino-Japanese conflict and acted only in response to external pressures.

Joseph Grew, Ambassador to Japan, recommended early that America refrain from any step toward intervention or mediation in Sino-Japanese hostilities by insisting that “there is no use in spurring the aggressor still further to injure those [treaty] rights as a direct or indirect result of our unnecessarily irritating and aggravating the situation.”1 Johnson, Ambassador to China, also discouraged any U.S. intervention or mediation, noting that Sino-Japanese hostilities “may correct in China a tendency to rely on foreign aid.”2 As head of the State Department, Hull confined his concerns to “international peace” and “American national interests.” Thus, Hull wrote to Grew that he intended not to make “futile protests or gestures of interference” except in case of “safeguarding lives of our nationals or calling attention to American rights and interests.”3 He also instructed Johnson to “make abundantly clear the fact that this Government would not wish to become involved or to be committed with regard to the question of the merits of any specific proposal [on the settlement of Sino-Japanese hostilities].”4 In particular, Hull restrained his subordinates from officially labeling Japan as an aggressor.

In his memoirs, Hull denied that he pursued a policy of “no action” and claimed that he took “action after action” toward the Far Eastern crisis with “self-restraint.” He offered several
reasons for his refusal to accept proposals for mediation or joint international action to stop the
Asian war: 1) “it would create the impression in Tokyo that the major Western nations were
bringing pressure to bear on Japan.”; 2) “if there was to be any joint action, it should be by all the
nations having an interest in the Far East”; 3) “anything resembling joint action with Britain
inevitably aroused the fears and animosity of the isolationist elements in the United States”; 4) “I
seriously doubted whether any joint action, unless it embraced a real show of force, backed by an
intention to use force if necessary, would be of any avail.” Yet, Hull maintained that China’s
criticism of American inaction was “erroneous,” because America was “taking repeated action
and bringing all the pressure it possessed to bear to stop the fighting” by urging a mutual
settlement between Japan and China.5 Indeed, these points were repeatedly presented whenever
criticisms of State’s passive policy toward Japan rose.

In fact, Hull’s position was, as he wrote to Grew on September 2 that the U.S. policy
toward the Far East should follow “a course of absolute impartiality.” Hull thought that troubles
in Asia deserved neither American mediation nor intervention. Thus, when Grew suggested that
State would advance a policy “to maintain our traditional friendship with both combatants,” Hull
wrote back that he opposed any policy designed “to solidify our relations with either of the
combatant nations.” He felt that “neither Japan nor China . . . are [sic] acting in accordance with
those principles” that were enunciated by him on July 16 to become “fundamental to a well-
ordered existence of and in the society of nations.” His statement of July 16 contained vague
principles of international law and peace that few countries were likely to follow strictly. Yet, he
dismissed both China and Japan as countries deserving no American friendship on these grounds.
Hull saw no need to support one against the other, though he thought Japan more troublesome
than China: “We are opposed to the courses which they [China and Japan] are pursuing, especially the course which Japan is pursuing.” To him, the only substantial difference between two nations was that Japan could seriously upset the international balance of power.

Hull’s two major Asian specialists, Hornbeck and Hamilton, presented their views in support of Hull’s stance. Like Hull, Hornbeck maintained that, although America should speak “on behalf of peace” and “on behalf of the safety of our nationals,” it “should take care to say only those things.” Any word or action beyond such limited expressions “would not favorably affect developments [in Asia].” His point was that Japan would not change her course of action unless America and others risked war. Hamilton, promoted to Chief of the Far Eastern Division in August 1937, agreed with Hornbeck. In October, he pointed out that it was not an opportune time to pressure Japan, because “restrictive measures to be effective . . . should be applied in the incipient stages or in the later stages,” but “Japan’s present adventure in China has moved far beyond the incipient stages” and “has not . . . yet reached a stage where Japan has been seriously weakened or even begun seriously to feel the strain.” Rather, he suggested a long-term policy designed “to remove the basic causes of Japan’s dissatisfaction” with “constructive measures.” In any case, America should not take the lead in adopting even minor restrictive measures against Japan. Thus, Hornbeck and Hamilton recommended that the State Department not adopt any active protest, mediation, or sanction against Japan.

As Chapter II has indicated, Hornbeck, Hamilton, and Johnson also had similar views of Asian affairs. The underlying rationale for their neutral policy was that neither China nor Japan deserved America’s genuine support unless they acted in accordance with what America regarded as proper rules of international peace and order. As Japan became part of the larger international
threat to America and China became a de facto ally in later years, their views reluctantly shifted. Yet, in the early phase of the Sino-Japanese War, they had no intention of confronting Japan.

However, these reservations do not fully explain the extent of State’s resistance to calls for international cooperation in relation to the Sino-Japanese conflict. The State Department strived to avoid any “trap” that might lead to American friction with Japan. That trap might reside in a variety of requests from China and other interested countries for U.S. action. Whether legitimate or not, all foreign proposals for America’s mediation in the Sino-Japanese conflict were rejected. Instead, State officials urged a voluntary settlement between China and Japan, though it knew that no effective resolution was possible without mediation. Rather, it exerted considerable effort to prevent the League of Nations from adopting strong resolutions or positive measures on East Asia for which America might be partially responsible during the Nine Power Conference at Brussels in November 1937. It was not the Secretary of State but the President who had made a widely publicized “Quarantine” speech condemning Japan, albeit implicitly, and sent out an American delegation to Brussels. Not surprisingly, China’s continuous inquiries for State’s position on the Nine Power Treaty and other legal issues were either refuted or equivocated. Rather, in response of China’s invocation of U.S. obligations to the Open Door principles, State threatened China by suggesting that it could ask the President to invoke the Neutrality Act or other measures which would turn out to be more damaging to China than to Japan.

Once the Japanese attacked the U.S.S. Panay on the Yangzi River on December 12, 1937, American officials considered retaliatory actions against Japan. Again, however, State chose to dissuade the angry President and officials in other sectors of the U.S. government against taking
confrontational actions toward Japan. Roosevelt, encouraged by angry naval officers, briefly planned an Anglo-American joint naval blockade of Japan.\textsuperscript{13} Morgenthau also proposed a plan to freeze Japanese financial assets in the United States. In both cases, the State Department advised restraint. By early 1938, the State Department had extended its restraint to the point of refusing to protest Japan’s obvious challenge to international norms, such as Japanese control of the Chinese maritime customs houses and their arbitrary search of American-flagged ships entering China.\textsuperscript{14} At the same time, State turned down China’s requests for supportive statements or actions, though it tried to retain a friendly relationship with China.

The State Department’s seemingly unnecessarily passive attitude can be understood only in light of callous geopolitical perspectives. In a conventional line of strategic calculation, America should stay out of the Sino-Japanese conflict until Japan was completely bogged down in China. Once enmeshed in the Asian mainland, Japan would be less likely to have the time or resources to challenge Western rights in the Asia-Pacific. Early American intervention would simply benefit the Soviet Union, a historical enemy of Japan and a potential enemy of the West. From a purely geopolitical point of view, America needed to encourage the prolongation of the Sino-Japanese conflict or instigate a conflict between the Soviet Union and Japan in order to divert Japan’s expansion away from South Asia where Western possessions were concentrated. China was not a major player in this picture but a tool of other players. Thus, while not wishing to alienate China, America urged the both sides to solve their problems by themselves. In unvarnished military terms, that meant fighting each other to the end. Thus, State would invoke no international or domestic laws to help ease or suspend the bitter fighting between the two. However, it would seriously consider action: 1) when Japan made a peace with Chiang or set up
her puppet regimes in China, and therefore settling the war; or 2) when Japan actually took Western possessions in China. In these instances, State was prepared to issue a strong protest against Japan. After 1938, State’s strongest statements to Japan were made on Japan’s “New Order” through her puppet regimes, and its most concerned question to Chiang Kai-shek was whether he would continue to fight Japan and therefore exhaust Japan.

Two things were essential to the early phase of the State’s whole strategy of international politics: 1) To avert confrontation with Japan by all means (otherwise, other countries, especially the Soviet Union and Britain, would benefit the most); 2) To resist all attempts by China and other countries to induce America into an anti-Japanese bloc (otherwise, the whole burden would fall into American hands). State’s efforts in 1937-1938 and beyond were entirely compatible with this strategy. As Chapter II has indicated, Hornbeck’s recommendation after 1933 was to delay a break with Japan, not to avoid it indefinitely. Within this policy framework, America needed to wait and see further developments in Asia, while building its own navy and making appropriate responses to Japan’s occasional encroachments on American or Western possessions in Asia.

China’s Efforts to Gain U.S. Aid and the State Department’s Response

After the Marco Polo Bridge Incident in July 1937, Chiang strived to retain ties with “friendly” countries and to secure their increased support for China against Japan. No single Western power, however, was quite willing to confront Japan or provide substantial aid to China, either unilaterally or collectively. For geopolitical and historical reasons, the Soviet Union alone was willing to provide substantial aid to China in the early years of the renewed hostilities. It agreed on a nonaggression pact with China in August 1937 and rendered large-scale military aid
to China as well as a substantial amount of financial aid.\textsuperscript{16} Chiang hoped to bring a Soviet military intervention in the Sino-Japanese conflict, while trying to draw Anglo-American powers into active cooperation with the Sino-Soviet coalition against Japan.\textsuperscript{17} At the same time, however, Chiang tried to maintain friendly relations with Nazi Germany and Italy by retaining their military advisors.

According to William Bullitt, Ambassador to France, who received Chinese information often from Wellington Koo, the Soviet Union’s early position was that it might intervene in the Asian conflict once assured of Anglo-American backing.\textsuperscript{18} The State Department suspected that the Chinese and Russians might try to induce America into East Asia and thereby entangle Washington in their own problems. Thus, State promised no more than cooperative consultations. In fact, at the Nine Power Conference in Brussels in November 1937, U.S. and British delegates chose to exclude the Soviet Union from the settlement of the Sino-Japanese conflict in an effort to conciliate Japan. By June 1938, Germany had also decided to recall all German military advisors from China in an effort to consolidate its ties with Japan. Still, Chiang hoped at least for Soviet intervention. However, after he had to move to Chongqing in October 1938, Chiang concluded that Stalin could not be outmaneuvered. At this point, Chiang began to shift China’s major diplomatic efforts towards Washington.\textsuperscript{19} His strenuous and even subservient approach to Washington after mid-1938 corresponded to his realization that China could not much expect from either the Soviet Union or Germany.

One of Chiang’s tactics to win American military aid was to make the use of American aviation advisors serving the Chinese air force. In December 1933, the GMD’s Military Council had formed the Central Aircraft Manufacturing Corporation (CAMCO) to build airplanes in
China with American assistance under a contract with the Curtiss-Wright Corporation and the Intercontinental Corporation. Henceforce, William D. Pawley, president of the Intercontinental Corporation, played a key role in providing American technical assistance for the manufacturing of aircraft in China. In May 1937, Madame Chiang, as director of the Aeronautical Affairs Commission (AAC), hired Colonel Claire L. Chennault, who had retired from the U.S. Army Air Force for health problems, to train Chinese pilots. Chennault and Pawley played major roles in modernizing the Chinese air force. At the outbreak of fighting in 1937, the Chinese possessed fewer than 200 first-line planes, mostly of U.S. manufacture. The purchase of American aircraft and aircraft equipment was part of Chiang’s plan to enlist American pilots for the Chinese air force. As it turned out later, his plan developed into a military strategy to attack the Japanese mainland with American aircraft and pilots, a plan which would be operated in secret without involving official diplomatic agreements.

American diplomats suspected that China’s purchase of American aircraft and her use of Americans in the service of the Chinese air force were schemes to entangle America in the Sino-Japanese conflict. As early as mid-August, 1937, Clarence E. Gauss, then Consul General at Shanghai, warned Hull of such danger. Soon, the State Department stopped the export of 19 American airplanes to China and refused to issue passports to Americans going to work for the AAC. The Chinese immediately responded. Madame Chiang criticized American actions, asserting that America, unlike Germany and Italy, obstructed foreign advisors’ neutral operation and deprived China of the necessary manpower for the operation of the American planes which made up 90% of the Chinese air force. However, Hull justified State’s action on the grounds of the strong isolationist sentiment of the American people. Furthermore, on September 14,
Roosevelt, urged by State, issued an order prohibiting arms sales to either China or Japan by government-owned vessels and thereby stopped the scheduled shipment of aircraft to China on legal grounds. On this action, Hornbeck assured Ambassador Johnson that “the deprivation which our action may impose upon China is only a fraction of what might be the case if we acted impulsively or without balancing the many considerations involved.”

State even threatened to withdraw American pilots from the China National Aviation Corporation, a civilian air line.

State also refused to provide China with any financial aid in 1937. The Chinese sent Hull messages that China would fight against Japan in exchange for an American pledge to support China with financial and material aid. In addition to efforts to prevent Washington from invoking the Neutrality Act in Asia, the Chinese tried to secure an American loan of $50 million that had been negotiated in July. The loan, to be provided by the Export-Import-Bank (EIB) in exchange for Chinese silver, had been suspended by the State Department. According to Charles Yost, Assistant Chief of the Office of Arms and Munitions Control Division in the State Department, it was “obligatory upon the United States Government to suspend for the duration of the hostilities any credit operations, which had not been completed prior to the outbreak of the hostilities, with a foreign government involved in war.”

Hull and Warren Pierson, President of the EIB, postponed the activation of loan, though they stated that they were not in principle against the granting of commercial loans. Although Hornbeck and Johnson did not see the legal grounds of such a decision, Hull decided to refrain from any political gesture in providing aid to China.

China needed to secure American money in order to alleviate its budgetary difficulties. After Japan had occupied rich areas of China, the GMD issued paper money to supplement its diminished revenues, leading China toward greater inflation. Because stable currency was a basis
of GMD’s political survival, it sought cash loans from abroad to support its currency.\textsuperscript{31} According to Arthur Young, “Nothing humanly possible could have avoided severe inflation.” The biggest question was how to offset the inevitable drain of dollars from China, which was going to be precipitated by Japan’s seizure of China’s revenue sources and China’s heavy military spending and indebtedness.\textsuperscript{32} To maintain the value of foreign exchange, the GMD Ministry of Finance, headed by H. H. Kung, closely cooperated with GMD-affiliated banks operating in Shanghai’s International Settlement areas, Hong Kong, and elsewhere where they were free from the Japanese. Currency policy was closely advised by the Bank of China, headed by T. V. Soong and his chief manager, Hsi Te-mou, with two Anglo-American advisors, Arthur Young and Cyril Rogers of the Bank of England. By the fall of 1938, these financiers concluded that China had to secure Anglo-American financial aid to survive.

In addition to the need for loans to support foreign exchange, foreign loans were urgently needed for the purchase of arms and munitions as well as raw materials for civilian needs. Without a continuous flow of material aid from overseas, China could not wage a lengthy war against Japan. Alongside the demand for war materials, China also needed technical assistance for the shipment of materials from overseas into China’s interior. As Japan reinforced its encirclement of China, China had to secure the routes for transporting materials and to learn how to arrange shipments. The Chinese wanted to link all of these needs when they appealed for financial aid from Washington and London.

In 1937, efforts to secure new loans from Washington failed. China’s request for a loan of $500 million from Western countries in late 1937 proved futile. Her drive for an Anglo-American loan gained momentum in the spring of 1938 when the British Ambassador to China,
Archibald Clark Kerr, indicated British willingness to provide such a loan. Cyril Rogers was sent to London to lobby for a $100 million loan. The French also sent a message through Bullitt that it was willing to provide a loan to China. However, both British and French plans depended on Washington’s pledge that it would take parallel action. The State Department, while not ruling out possibilities for aid, objected to providing aid for China. In late March 1938, Johnson wrote to Hull: “I had on all occasions attempted to make quite clear to the Chinese that they could not expect any such aid from American sources.”

Hornbeck, as usual, gave no definite answer to Chinese pleas for aid. When State officials conferred with American bankers over Chinese loan requests, they worried about two factors in particular. First, the Chinese might use a U.S. aid to them for “propaganda purposes,” to “say to their own people . . . [and] to the world at large, that they were getting assistance from the United States.” Second, the Chinese would make use of a loan “as an entering wedge or a stepping stone to the making of other and bigger loans.” Afraid of a larger involvement in Asian affairs, Hornbeck concluded that “the Department was not prepared to take a position with regard to the matter.”

In fact, Hornbeck and Johnson assumed that America had the financial capacity to determine the fate of the Far Eastern war. On July 7, 1938, Ambassador Johnson wrote to Hornbeck as follows:

The hope for Japan lies in the bankers of the United States and England and their willingness to finance Japan’s conquest. If Japan cannot get that financial backing which only England and the United States can give then the blood and treasure that she is putting into this effort at conquest is gone with the wind.

It had long been known that Japan was too weak to finance extensive foreign adventures. On the basis of such analysis, the State Department had reserved economic sanctions against Japan as an
ultimate weapon. In response to Johnson, however, Hornbeck wrote as follows:

I agree with you that Japan has little chance of success unless financiers somewhere come to her aid. And I see very little prospect of any financiers doing that in the near future on any substantial scale. . . . But the Japanese still have a long, long way to go before they will have won, if ever.36

Both Johnson and Hornbeck agreed on Japan’s economic vulnerability and her dependence on the Anglo-American financiers. Yet, early U.S. economic sanctions against Japan were considered unnecessary, because they could only precipitate a U.S.-Japanese break while China’s resistance to Japan would be prolonged in any case. Financial aid to China, if any, could be used as a means of pinning down Japanese military forces in China and thereby delaying Japan’s possible invasion of Western bases in East Asia. A modicum of financial aid to China was a policy option that would help to keep China fighting. Despite this, they supported neither financial aid to China nor economic sanctions against Japan at that time.

On July 13, 1938, in a letter to Ambassador Joseph Kennedy in London, Hull rejected the proposed loan to China, which both the British and French supported. Hull pointed out that the U.S. had given enough aid to China, by referring to the silver purchases, an EIB loan in 1933, and private relief aid to China. Hull maintained that any U.S. decision to provide aid to China would be made “within the limitation of our policy of non-interference and non-intervention” and “in its own way.”37 Given the American rejection, the British dropped their loan proposal. In Young’s words, “a courageous American attitude could have led the leaders of the West to take action to check China’s deterioration under Japanese military pounding, and might have changed history.”38 The Chinese now turned to the U.S. Treasury Department.
The U.S. Treasury Department’s Views of the Sino-Japanese Conflict

When the Sino-Japanese conflict turned into bloody and sustained conflict in the fall of 1937, Director of Research and Statistics George Haas of the U.S. Treasury Department analyzed the crisis. According to his September 4th report to Morgenthau, both China and Japan would be able to conduct the war effectively by 1938. China, however, had to depend on “foreign sources for basic raw materials and her access to them.” Because of the Japanese blockade, China’s “only hope is to be able to get sufficient war material over difficult land routes.” In terms of trade, without the Neutrality Act invoked or economic boycotts, “Japan will buy just as much, if not more, from us,” but U.S. trade with China “will drop precipitously.” In view of international power politics, the Soviet Union preferred “to help China without going to war” and Britain was “most likely to adopt a purely negative policy which would help Japan much more than China.” Yet, Haas’s analysis concluded: “It would appear then that the peace of the world is tied up with China’s ability to win or to prolong its resistance to Japanese aggression. It is our opinion that a Japanese victory increases greatly the chances of a general world war.” According to Haas, Japan had the upper hand in every aspect, as long as America stayed neutral.

Haas submitted to Morgenthau a more extensive analysis of the Sino-Japanese conflict a few days later. First of all, he pointed out: “We will lose most of our trade with China during the war, but the loss of that trade is unimportant to the United States.” On the other hand, “our trade with Japan will increase” and “Japan must have the goods she buys from us.” Secondly, however, as “Japan’s best customer,” America could “strike Japan a severe blow” with trade embargoes, especially because “what Japan doesn’t sell to us, she won’t sell to other countries.” Thus, Haas concluded that “a cessation or sharp reduction of our trade with Japan would hurt Japan critically
but would constitute only a minor loss to the United States.” However, “An embargo by the United States on Japanese imports, or a widespread boycott by the public, would not hurt Japan enough to cause her to cease military operations in China, but it would go a long way toward destroying her ability to wage a prolonged campaign.” In brief, America had a decisive weapon against Japan, but the use of such a weapon would not immediately change the course of the conflict. Treasury’s analysis corresponded with State’s.

One early concern was whether to invoke the Neutrality Act after July 1937. Herbert Feis, Advisor on International Economic Affairs to the Secretary of State, consulted with Treasury officials on this issue in early September. Treasury maintained that the U.S. purchase of Chinese silver or loans to China were not subject to the Neutrality Act, even if Sino-Japanese hostilities became a declared war. Treasury General Counsel Herman Oliphant confirmed this interpretation on several grounds: 1) financial transactions with belligerents did not apply to the U.S. government; 2) it would not be unneutral to protect the dollar in “foreign exchange” as in the case of Sino-American financial transactions; 3) Treasury loans to China had been arranged before the fighting had broken out. However, Oliphant reminded Morgenthau that “the sounder position from the point of view of international law would be for this government to refrain from buying gold or silver from a belligerent.” Morgenthau, however, wanted to continue Treasury business with China as usual, taking it as “purely a policy matter.” For his part, Morgenthau suggested financial sanctions by America, Britain, and France against Japan, though Feis dismissed this tactic as being “beyond the field of the [State] Department’s immediate intentions.”

Treasury’s major support for China in the early phase of Sino-Japanese hostilities came in
its continuous purchase of Chinese silver. Including the agreement on July 8, 1937, Treasury had bought 188 million ounces of silver for $94 million starting in 1935. In November and December 1937, Morgenthau again bought 100 million ounces of Chinese silver, a transaction not made public. The total silver purchase from China after July 8, 1937, amounted to $157 million. According to Young, these purchases were “vitally important in China’s struggle.” In early December 1937, Roosevelt actually permitted Treasury to extend its purchase of Chinese silver on the grounds that it was an issue of “foreign exchange.” As usual, however, Roosevelt asked Morgenthau to consult with Hull. Although the State Department maintained that any form of financial aid, including silver purchases, was unneutral in view of international laws, Treasury assured State that “the arrangement in question cannot in any sense be regarded as a loan or a credit arrangement.” By identifying the issue of silver purchases as that of “foreign exchange,” Treasury provided the President and the State Department a way to approve its financial transactions with the Chinese.

Treasury’s decision to continue doing business with China was inspired by commercial concerns as well as by geopolitical ones. As in the case of the previous loan transactions with China, Morgenthau and others were interested primarily in disposing of domestic agricultural surpluses to China and Latin America. Morgenthau argued that any financial transaction with China could be linked to both domestic and geopolitical needs. In late May 1938, Morgenthau, Harry Hopkins of Works Progress Administration, Henry Wallace of the Agriculture Department, and others discussed how to dispose of surplus items most effectively, especially wheat and cotton. Morgenthau urged the sale of the two commodities to China that “would supply also some employment here in the initial processing.” Wallace and Hopkins agreed to advise the
President to that effect. An EIB loan was to be given to the Chinese for their purchase of these surpluses. In addition, as Hopkins suggested, wheat might be traded for the importation of possible strategic materials from China and other countries. As it had been in 1935, the issue of U.S. loans to China was subjected to New Deal policies. Yet, the implementation of such a loan needed approval from the State Department which had discouraged it for diplomatic reasons.

In early June, Morgenthau and Wallace talked to Hull about a loan to China for her purchase of American flour and grey goods. Fearing a Japanese protest, Hull suggested that if such a proposal were made to China, a similar proposal should be made to Japan. State officials suggested that money might be given to China through the American Red Cross, allegedly for “relief” purposes. The State Department, as mentioned earlier, actually opposed any financial aid other than the already-agreed “dollar exchange” (silver purchases). However, Washington’s seemingly callous attitude toward China also reflected the common observation that Chiang’s political survival depended on Washington’s support. In mid-1938, Edgar Snow gave the following analysis of the GMD’s financial ties to the West:

Nobody knows -- except Chiang, Kung, and the Soongs – exactly how much treasure China has shipped to England and America, or how much gold and silver reserve there is for China’s currency. Because of the family’s key financial positions and close relationships with foreign banks and governments, its political hegemony might continue even if Chiang lost most of his military power. It is doubtful if anyone but a member of the Chiang-Soong-Kung family could draw on China’s bullion reserves abroad. Chinese bonds and currency would take a nosedive if Chiang were overthrown. No opposition group will attempt to oust him by force as long as the Chinese dollar stands up and the government enjoys American and British support and Japan is unable to win either a conclusive victory or an armistice.

Financial aid from Washington was imperative for the regime’s survival. As long as the war continued, the regime’s fate would become more dependent on Washington than before.
By mid-1938, China’s financial situation had become precarious. First, China had sold most of her silver reserves. Second, China’s external dollar reserves had become depleted because of the mounting purchase of war materials. Third, foreign debt payments (about $30 million yearly) became a serious burden. Fourth, the Japanese seizure of customs houses and salt revenues in China was accelerated after the British conceded to Japanese pressures. After failing to persuade Hull, the Chinese turned to Morgenthau who seemed more open to Chinese demands. In a letter to Morgenthau in late June of 1938, H. H. Kung assured him that “China does not ask any nation to fight this war for her” but did envision “a firmer line of action” from America. Recalling Japan’s attempt to destroy China’s currency system and build a yen bloc in China, Kung emphasized “China’s need for foreign capital and technical assistance.”

Morgenthau and the Second K. P. Chen Mission to Washington

It was during his tour of Paris in late July 1938 that Morgenthau showed the Chinese his willingness to negotiate over the Chinese demands for U.S. financial and technical aid, a willingness which grew out of Morgenthau’s talks with Bullitt and Wellington Koo, American and Chinese Ambassadors to France. Morgenthau talked with Koo “on the insistence of Mr. Bullitt,” and Koo appealed to Morgenthau for a commercial loan to China. Morgenthau suggested that K. P. Chen come to Washington. Morgenthau wanted Chen because he considered him to be “the only Chinese . . . who talked the facts.” Shortly thereafter, Bullitt sent Roosevelt a confidential report, assuring him that “Chiang Kai-shek’s will to fight and the courage of the Chinese people remain unbroken; but there will be just no money to buy anything.” In addition, he assured the President that “if we should be willing to act, both France and Great Britain would
act simultaneously though not jointly.” He suggested a credit of $100 million to China for her purchase of “flour and gray goods,” not for “arms and munitions.” After that, Roosevelt instructed Treasury to push the matter with the State and Agriculture Departments as well as with the RFC. Yet, Hornbeck reacted negatively to Chen’s mission. He informed Bullitt that America had given enough relief aid to China and that America’s support for China should be made “within the limits of our policy of non-involvement.”

Strong support for financial aid to China also came from J. Lossing Buck and James M. McHugh, Americans close to the Chiangs. In early September, Buck sent Morgenthau a lengthy report about his interviews with Chinese officials and Americans in China, urging aid for China. In this report, Buck informed the Treasury Secretary that Kung gave Chen full power to negotiate and that the Chinese did not favor a purely agricultural loan but a cash loan for the purchase of arms and munitions and for currency stabilization. He also emphasized that the Chiangs “feel a special tie with the American people and desire China’s development to be linked with America as well as with other countries, such as Great Britain and France.” Chen also told Buck that Chiang “desires to tie China’s destiny more closely with that of Britain, the United States, and France.” Referring to his interviews with Colonel Joseph Stilwell, Captain Evans Carlson, and George Shepherd, Buck urged substantial financial aid corresponding to the growing American public sympathy with the Chinese. In mid-September, McHugh also sent a confidential report to Washington urging aid to China. As Assistant Naval Attache in the American embassy in Chongqing, McHugh spent most of his time with the Chinese and served as a close observer of Chinese politics. In his report, he wrote that, though enmeshed with factional politics and reactionary forces, Chiang’s political leadership was ascending as a symbol of resistance to
In his discussion with Treasury and State Department officials (Maxwell Hamilton and Herbert Feis) on September 6, Morgenthau expressed his desire to boost Chinese morale with financial aid. Hamilton reminded Morgenthau of State’s plan to provide a loan for China on Red Cross “relief” grounds. Morgenthau flatly dismissed this tactic for its impracticability, and explained his reason for supporting a China loan:

I am terribly honest. A battleship today costs $80,000,000. We are talking about the future of the Pacific for the next 100 years and if the money we loan them -- mentally I am writing every dollar off. I am not counting on getting a dollar back. If the poor fellows can, they [Chinese] will pay us back. They are not in default now. They have certainly treated us better than the European countries have done with less to do it with and it’s just a question whether the United States Government says, Here’s the fate of the Pacific at stake. Do we want to do something? Do we want to show these people our friendship and do we want to do it in a substantial way? Personally, I do, not as Secretary of the Treasury, but as a member of this Administration. I am very keen to do it.\(^5^9\)

Morgenthau suggested that the loan would not only boost Chinese morale but also let them continue to fight against Japan. Then, he expressed his wish that he would conduct the business with Chen only, not with the Chinese Ambassador. He and State Department officials discussed the plan that an RFC loan to China up to $100-200 million with a nice “window dressing” might be prepared. However, Morgenthau complained that his main trouble was with Hull, pointing out that “the question gets down for Mr. Hull.” Aware of Hull’s reluctance to support China, Morgenthau urged Hamilton, Moffett, and Feis to advise Hull, and expressed his willingness to discuss the matter with the Secretary of State. In Morgenthau’s words, Hull “has got a deadline,” because he had not yet given any definite answer to Morgenthau’s proposal, while Chen was soon due to arrive in the United States.\(^6^0\)
Two days later, Morgenthau again discussed the loan issue with Hamilton and Feis. Morgenthau suggested that Treasury money would be transferred to China through the RFC, the EIB, or the Surplus Commodities Corporation, a subsidiary agency of the Agricultural Department. Hull’s position, as suggested by Feis, was that America should not appear to be organizing Western countries against Japan. To Morgenthau, any diplomatic deliberation to avoid such impression was “just a waste of time.” In his view, Hull was simply playing a game to avoid the issue itself. Morgenthau wanted to go ahead with the President’s consent. Yet, Roosevelt always insisted that Morgenthau obtain Hull’s approval for any Treasury policy that might be related to foreign policy. Morgenthau actually felt uneasy about discussing the issue with Hull, so he conveyed his opinion to Hull through Feis.

In the meantime, Kung sent instructions to Chen through Arthur Young. Young and McHugh, who carried materials containing China’s financial secrets, took a hazardous air trip from Chongqing to Hong Kong where Chen was waiting to leave for America. According to Kung’s instructions, Chen was to explain fully to Morgenthau China’s financial difficulties, especially the problems of maintaining foreign exchange, and seek above all a cash loan to support the Chinese currency. Because China did not need to purchase American agricultural surpluses, Chen would explore ways of purchasing what China really needed from the American market, specifically war materials, with the proposed loan. In particular, Chen would try to sell any Chinese materials to Americans. In addition, Chen would seek a U.S. understanding of China’s probable suspension of debt payments in the near future. However, according to a report to Hull from the Consul General in Hong Kong, the Chinese government did not have a concrete plan for Chen’s mission, and Chen was “harassed by visitors who believe that the United States
is about to pour money into China and want to share in spoils.”64 In the eyes of American diplomats, China was still hopelessly chaotic and corrupt. In any event, on September 10, Chen left for the United States with his assistant S. D. Ren and Hsi Te-mou of the Bank of China.

Morgenthau, Hopkins, and Wallace preferred to use a U.S. loan to China to sell U.S. agricultural surpluses to the Chinese, but the Chinese wanted to use the loan to support their currency and to purchase what they wanted from the American market. Their preferred item to sell in America was tung (wood) oil, a substance needed to manufacture painting materials, over 90% of which relied on imports from China. The sale of tung oil would replace that of silver and would help increase China’s foreign exchange holdings. After initial discussions between Chen and Morgenthau on September 20, Treasury and RFC officials focused on the means of purchasing commodities from China and extending credit to that country. They proposed three options for financial aid to China: 1) A loan against the purchase of Chinese tin and tungsten that would be used as “strategic materials” by the War and Navy Departments; 2) A loan against the purchase of Chinese tung oil to be used by the Surplus Commodities Corporation; 3) A direct credit for the Chinese purchases of U.S. commodities by the EIB.65

Morgenthau, however, complained about the attitude of Hull and Roosevelt toward the China issue. He noted: “There is a bare chance we may still keep a democratic form of Government in the Pacific, but only a bare chance, and I said [to Feis] the Chen mission is our last opportunity and, I said, this has been in Mr. Hull’s lap since June or July and the responsibility is entirely his.” He was frustrated with Roosevelt, too: “I am on record with the President that I want to do this since last June or July, but if the President of the United States can’t make Hull do these things -- I told him [Feis] either Mr. Hull is the greatest man in this
country or he is the most misunderstood man and I said he tries to wear everybody out and you can’t badge him.”

Morgenthau’s subsequent conversations with Chen resulted in two agreements. Chen disclosed that China held nearly 85 million ounces of silver, of which almost 65 million ounces had been pledged in exchange for foreign loans of $19.5 million. Of the 20 million ounces unpledged silver, 10 million were on order from London. Morgenthau agreed to buy the rest, 10 million ounces, outright. He then suggested that the U.S. could buy all 85 million ounces if China suspended all transactions with other countries. He also suggested that China adopt a policy of “suspending all foreign debts with the exception of the United States.” Yet, Morgenthau assured Chen that “it’s your idea because I don’t want to be in the position as Secretary of the Treasury of recommending that you don’t pay your interest on the debts of other Governments.” Morgenthau also suggested that Chen “form an American corporation and deposit your money in this corporation to be used for the purchase of supplies in the United States.” This corporation would oversee trade in key materials between the United States and China without being suspected of being a diplomatic channel. Thus, Morgenthau assured Chen: “I don’t want to get in diplomatic channels, and the State Department, if they heard me talk like this, would be very excited.” He characterized the nature of the transaction as “business, not diplomacy.” This business-like transaction, however, actually characterized Sino-American relations for the next three years.

After his initial conferences with Chen, Morgenthau tried to get Roosevelt’s permission for the purchase of all Chinese silver but gained approval for only 20 million ounces. Still, Morgenthau had difficulties convincing other officials of the soundness of his plan for financing China, a plan different from the original idea of dumping surpluses of wheat and cotton, even
though the Chinese had no need of either. Besides, China had no strategic materials that the War
and Navy Departments urgently needed. Morgenthau contacted Jesse Jones, Henry Wallace, and
naval contractors on behalf of Chen. No one paid attention to his argument that financial aid to
China would shape the future of the Asia-Pacific. The frustrated Morgenthau then asked Jones:
“do you think we’re ready to explain this to the Chinese, to say that . . . we’re not making any
commitments, but we’re thinking about 70 million bushels of wheat [?].”69 Predictably, Hull did
not even support the proposed measure for selling surplus goods to China. Morgenthau told
Jones and Jesse Tapp, President of the Federal Surplus Commodities Corporation, that he had
declared to Feis that “I’m going to fight the State Department the way I never fought before for a
loan to China.” He suggested that “we make an Export-Import straight loan, just make them a
straight loan, but keep it a secret.” But the trouble was that the EIB Board of Directors included a
State Department representative who might vote against the loan. Then, Morgenthau suggested
that “we’d keep it between R.F.C., Agriculture and Treasury.”70 Out of frustration, Morgenthau
was quite willing to exclude State influences from financial policies toward China.

On September 30, Morgenthau, Jones, and Tapp eventually met with Hull and Hornbeck
to discuss the proposed Chinese loan against the 70 million bushels of wheat. Morgenthau first
emphasized that the proposed wheat loan did not mean any U.S. diplomatic commitment to
China but was simply a commercial transaction. Hull, however, opposed the loan on political
grounds: 1) the proposed loan to China was a definite form of economic aid that would conflict
with his policy of “strict neutrality”; 2) Japan would retaliate if the loan were made; 3) he would
have difficulty explaining the nature of the loan to Congress. Hornbeck added that the proposed
loan deviated from a policy of strict neutrality, suggesting that small-scale aid to China would not
much help China but would cause serious troubles in U.S.-Japanese relations. Morgenthau insisted that the President had endorsed the proposed loan. However, he closed the meeting by saying that he would not pressure the State Department but would ask the President for advice.71 State’s position was that it would stick to the policy of strict neutrality.

Meanwhile, Chen proceeded to organize an American corporation that would monopolize Sino-American trade. With the wheat deal dead, Morgenthau’s concern shifted to the purchase of tung oil through this corporation, nicknamed “Chinco” by him, which would manage the import of all tung oil from China. The main problem was that the Chinese lacked the reliable means of transporting the materials from the interior to the seaboard. They wanted to link the tung oil project to their appeals for U.S. “technical” assistance in building the transportation system into China’s interior. As Harry White said to Morgenthau, Chen “regards this [American technical aid for the shipment of tung oil] as an opening wedge or as a precedent for the establishment of this larger company which he hopes will, along with what you said, provide the channel for larger trade.”72 However, Morgenthau was willing to help the Chinese in any way, though he was sometimes disturbed by overenthusiastic reactions of the Chinese to any signs of U.S. aid.73 To aid the fortunes of Chinco, Morgenthau decided to introduce a few American businessmen to Chen as technical advisors to the new corporation.

On October 7, Morgenthau convened a conference with three prominent oil businessmen. Morgenthau asked them to treat Chen with special care, because “he’s terribly nervous and he’s put himself so completely in my hands that it would be almost like hitting a child to do him a disservice.” He explained his caution: “I think you can find that he’ll do almost anything we suggest. That’s why I want to be terribly cautious.” He also stressed that the proposed tung oil
transaction was good for U.S. business, and was not subject to State Department policies: “The
State Department doesn’t want to have anything to do with this, but I’m willing to do this. I think
if we help them [Chinese] at this stage that you people can practically get a monopoly for
American oil products, and we’re going to get all the tung oil to come here, be distributed to the
world.” When one of them expressed apprehension that “we could be in the position of operating
trucks for the Chinese Government,” Morgenthau explained the nature of the administration’s
China policy as follows:

    So - but I want you to know, as far as the State Department, I keep them informed
but they don’t want to have any part of it. Which is their business. Which is all
right also. But I mean they know, we keep them informed, but officially they
know nothing about it. But they know the meeting is taking place. Sumner Welles
knows that you people are here right now. I want you to know everybody knows;
there is nothing secret. But the President is encouraging me to go on and the State
Department officially never heard of it. So that’s the status.74

In short, Morgenthau assured them that the President approved Treasury policy and the State
Department would simply acquiesce. He recommended that they would introduce American
managers and engineers to the Chinese and “put them [Americans] on their [Chinese] payroll.”75

Soon, Morgenthau introduced the Americans to Chen and his assistants.

    According to Young, however, Morgenthau did not favor any credit for exchange
transaction because he suspected that China would use American money to pay her debts to other
countries. In Young’s view, the main problem was “the Treasury’s persistent failure to recognize
China’s urgent need for cash abroad to support the currency.”76 Rather, Young suggested in his
book, China and the Helping Hand, that the State Department was willing to provide financial
aid to China in 1938, citing remarks by Hornbeck and Johnson. Indeed, State officials did not
rule out any measure which might favor China. But the fact is that the State Department

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contemplated all possibilities and yet initiated no active policy to support China. It is noteworthy that Young had served the State Department in 1922-1928 and was receptive to what State officials explained.\textsuperscript{77} It seems clear from Morgenthau’s records that many complex reasons lay behind his reluctance to support the cash loan for dollar exchange.

In his letter to Kung of October 8, Morgenthau wrote: “It is indeed reassuring that the Chinese nation is actuated by ideals which we are proud to think have so much in common with those of the United States, and I hardly need assure you that we here are watching with the deepest interest and sympathy the unfolding events in the Pacific.”\textsuperscript{78} Although Treasury could not accept all Chinese requests, especially a massive cash loan for currency stabilization, it was Morgenthau who pushed financial aid of any kind to China against all odds. He showed the Chinese a positive sign of American support and helped them to gain access to the well of American financial and technical aid.

**The State - Treasury Controversy over a Loan to China**

In October 1938, the Morgenthau-Chen connection functioned to enlarge American engagements in China. Still, the President encouraged policy coordination between his rival subordinates without giving clear-cut instructions. The State Department yet continued to discourage any policy deviating from its officially neutral stance. Treasury alone had a relatively fixed policy that favored China against Japan. According to Morgenthau and Chen, the future of Sino-American relations depended on the success of “Chinco,” a company which would function as a purchasing agent for Sino-American trade and as a nicely-disguised diplomatic route between Washington and Chiang’s headquarters in China. However, Treasury had to go through
a series of efforts to adjust its policy with State.

As originally proposed by Morgenthau, “Chinco” was organized by Chen as a Chinese-owned American company that would import and distribute Chinese tung oil to the American market. A U.S. loan from the EIB to Chinco was to underwrite an exclusive purchase of Chinese tung oil for Americans. In practice, the American loan would be immediately used for Chinco to purchase American goods for the Chinese government, while the purchase of tung oil would be paid off when it was sold to private American oil distributors over a period of time. According to Kung’s cable to Chen on October 20, 1938, what China most urgently needed to purchase from America were aircraft and equipment, arms and munitions, trucks, and various oils, for a total value of $149,239,000. Yet, the Chinese assured Americans that they had enough arms to resist Japan for a two-year period. Their most urgent concern was to keep foreign exchange.

Yet, first on Chen’s list was the purchase of about 1,000 trucks. T. S. Shueh, a Chinese traffic expert, was sent to Washington to assist Chen. Treasury officials and a number of American businessmen, mostly from oil and motor companies, discussed with Chen the problems of transportation routes into Chongqing. Aware that the Canton-Hankou railway, which had been functioning as the main transportation route between China’s interior and the outside world in the previous year, was to be closed by the Japanese, they shifted their focus to other routes. One alternative was the Chongqing- Guiyang-Liuzhou route that was connected to Hong Kong by river. Another option was the Chongqing- Guiyang- Kunming route that was connected with the Kunming-Haiphong railway to Haiphong in Indochina. Both routes spanned over 1,100 km and took seven days to travel. Two other minor routes were also contemplated as possible shipping roads. Through Chinco, the Chinese and Americans began deliberations over the construction
of the roads, especially the Chongqing-Kunming route, known as the Burma Road, and the shipment of American trucks for that work.

On October 12, Morgenthau and Chen went to see the President. On behalf of Chen, Morgenthau asked Roosevelt to recommend American members for Chinco’s board of directors. Roosevelt suggested several retired naval officers and missionaries.⁸¹ The whole process of establishing Chinco was closely supervised by Treasury officials, especially Lochhead and White. They not only advised the Chinese on technical and financial matters but also arranged discussions between the Chinese and American businessmen.⁸² As a result, the issue of financial aid to China through Chinco came under Treasury’s exclusive control.

Morgenthau sent Roosevelt a letter urging aid to China on October 17, as the Japanese troops were moving toward Hankou and Canton. This letter revealed Morgenthau’s thoughts on world events which he saw as involving the irreconcilable struggle between democracies and aggressors (fascists or totalitarians). To him, the crux of the American crisis lay in the failure to stop Japan’s aggression in Manchuria in 1931. Appeasing aggressors (Germany, Italy, and Japan) would never work. And the current U.S. foreign policy was appeasement: “The basis of either humiliation or war for the United States is being laid today by a foreign policy that shuts its eyes to aggression and withholds economic support from those who resist.” The only sound option for the future, Morgenthau argued, was American leadership against the aggressors, because America was the only country with the financial power to stop them. Britain, France, and others would follow America’s lead. Based upon these assumptions, Morgenthau proposed that the U.S. provide economic aid to China and Latin America and build a broad coalition among the democracies. Morgenthau again emphasized that aid to China was “risking little more than the
At a October 20 Treasury meeting, Treasury officials reported to Morgenthau that Chinco had been created as a New York corporation under the name “Universal Trading Company” (UTC). According to a preliminary contract, UTC was technically a U.S. corporation that was to import tung oil from its counteragency in China and would, therefore, command a monopoly in the Chinese tung oil trade. In practice, UTC was owned by the Chinese government and was to be operated by Chen and his assistants. UTC would purchase “minimum yearly amounts of wood oil over a five-year period, beginning at 50,000 tons a year and increasing 10,000 tons annually until the fifth year.” The price was set at six cents per pound. The total amount of tung oil in China (700 million pounds) would be priced at $42 million. The EIB was to finance UTC at least half of the total price of the tung oil through a loan to the UTC, while taking UTC as a security for the loan. UTC had secured 47 American importers of tung oil by then.

Morgenthau had secured Welles’s promise not to oppose a loan for UTC. Yet, still afraid that State would influence the EIB’s decision against the Treasury plan, Morgenthau asked his staff, Hanes and Foley, to secure support from Jones for the UTC project. However, Wayne Taylor, Fiscal Assistant Secretary and a director of the EIB, turned against the UTC plan. In a report to Morgenthau, Taylor expressed his opposition to any China loan. Like State officials, he argued that whatever direction Treasury might take, any transactions with China would violate neutrality, and would lead to larger U.S. aid to China as long as the Sino-Japanese conflict lasted, and would be criticized for using public money for helping a belligerent without Congressional approval. Thus, he recommended a halt in further deals with the Chinese.

Morgenthau, however, did not back down. On October 25, he and his staff drafted a new
letter to the President, asking for the approval of the proposed loan. Morgenthau removed all expressions that contained his personal opinion on China and Japan, and instead highlighted the commercial benefits of increased Sino-American trade. Thus, Morgenthau emphasized that “it is merely the financing of an exchange of necessary Chinese goods for domestic products,” because America needed to import 95% of its tung oil from abroad anyway. Morgenthau intentionally removed any Treasury analysis of international politics. Instead, he emphasized the simple fact that “business in this country will be stimulated and employment created.”

Roosevelt’s view of the proposed loan to China was less enthusiastic. Chiang’s troops had recently withdrawn from Canton and Hankou, retreating further into the interior of China. What bothered Roosevelt was Chiang’s ability to hold on: “If we should decide to make this loan today, and tomorrow or next day we found a new Provisional Government had been set up [in China].” The President suggested to Morgenthau that he would approve the loan if Chiang made a statement that “convinces the world that he can continue with his present form of Government.” Morgenthau immediately conferred with Chen and Ambassador Hu Shih and conveyed Roosevelt’s fears. Accordingly, Chiang sent a message to Roosevelt stating that “China will continue her policy of prolonged nation-wide resistance.” On November 11, Morgenthau found Roosevelt satisfied with Chiang’s response and received his approval. T. V. Soong also sent a message to Morgenthau, expressing his thanks. Then, Roosevelt instructed Morgenthau to “get Hull to acquiesce.” Morgenthau tried to contact Hull but failed to meet him. In fact, Hull avoided Morgenthau. Instead, he submitted a memo to Roosevelt opposing the loan to China. Hornbeck backed Hull’s position by writing a long letter to Roosevelt. Then, Hull left for a Pan-American conference in Peru. While Morgenthau was trying to confirm Roosevelt’s
approval of the loan during Hull’s absence, Hull was trying to nullify the decision over the loan.

Hull, Hornbeck, and Hamilton strongly opposed the UTC project. In a memo of November 13, Hamilton wrote that the UTC project was economically impractical, sure to encounter Congressional and public opposition, and in violation of the equal trade treatment clause in the Nine Power Treaty. Yet, his main concern was that the approval of the loan would signify “the abandonment by the United States of the course of non-involvement and impartiality which has heretofore been followed.” If America wanted to affect Sino-Japanese hostilities, it “must throw its whole weight behind China.” This meant risking war with Japan, but no one wanted such war. Besides, such small loans as one for UTC “would be of no decisive aid to China and would be profitless irritant to Japan.” Once America was perceived as no longer impartial, Japan would move against American interests in Asia. Thus, Hamilton wrote, the best policy was “not to aid China, but bring pressure to bear upon Japan.” Yet, America would put pressures upon Japan only in reaction to Japan’s infringement on American interests. And those pressures would be applied “over a considerable period of time.” In any case, America should not seek to influence the Sino-Japanese conflict.93

Hornbeck also strongly discouraged the UTC project. In a memo of November 14, he focused on the “political aspects” of the loan issue. He acknowledged that China’s resistance to Japan served U.S. interests, and even suggested that America give financial aid to China and impose sanctions against Japan. However, like Hamilton, Hornbeck thought that, to make those measures effective, “we should do so wholeheartedly and with determination.” Otherwise, helping China would cause only further troubles in Japanese-American relations. Therefore, Hornbeck wrote, “consummation of the tung oil project . . . would not, it is believed, be
advisable. In short, aid to China would be futile, unless America shifted its policy entirely.

On the same day, Hull submitted a memo to the President to emphasize that the UTC project was “almost purely political,” and “would result in a serious possibility of this country being drawn ultimately into the war.” As usual, State officials saw the issue of aid to China in view of its political effects on U.S.-Japanese relations, not its economic or psychological effects on China. In retrospect, however, State’s apprehension about the impact of the UTC project seems groundless. No Japanese retaliation came after the tung oil loan to UTC was announced in December. Nor did any Congressional or public protest emerge. Rather, the State Department would simply reverse its attitude in a couple of years. By 1940, when the pressures on embargo measures against Japan mounted, it began to insist that aid to China would be more effective than embargoes against Japan. In other words, the State Department simply looked for a way to avoid entanglements with China. However, one apprehension among State officials increasingly became a reality. As predicted, the tung oil project eventually created a framework through which China could try to extract additional loans from Washington and thereby increase chances of American involvement in her struggle against Japan. Also, China could publicize to her people and foreign countries the fact that she had secured U.S. aid against Japan.

On November 30, Welles, Hornbeck, and Hamilton visited Morgenthau’s office to renew their opposition to the China loan. Welles requested that his remarks not be stenographed. He repeated State’s opposition to the China loan: 1) American public opinion was not yet ripe for any serious U.S. policy on East Asia; 2) A loan to China would provoke Japan and cause Japanese protests against America; 3) Britain and France were not yet ready to take a similar action, and, therefore, America would be in a weak position once the loan was made unilaterally.
Morgenthau reminded Welles of the President's approval of the loan and gave him a brief outline of the UTC plan. Yet, the State Department continued to look for grounds to discredit the UTC plan. In early December, it insisted that the tung oil loan would violate the Nine-Power-Treaty of 1922 because tung oil was a monopolized item and therefore it was in violation of the equal treatment clause. Thus, State asked Treasury to limit the amount of imported tung oil to that of 1937 by extending the contract to five years from three years, though Welles told Oliphant that he would not oppose the loan outright because the President had already given his word to Chiang. Yet, State made it clear that the proposed loan would also violate the Treaty of Wangxia of 1844. In Oliphant's words: “In order to overcome this objection, it appears that it would be necessary to remove the Chinese Government entirely from the picture.”

Meanwhile, Treasury officials continued to advise Chen on the Chinese purchase of American trucks. Morgenthau even urged Chen to use ships with American flags when shipping trucks to China. Afraid of further objections to the loan by the State Department, Oliphant and Hanes, after discussing the matter with Chen’s lawyer, Lawrence Morris, proposed a revised plan to Welles. In principle, State would no longer oppose the loan. What it was concerned about most was not the substance of the loan but the public perception of the transaction to a foreign country, as Oliphant discussed it with Welles:

I then mentioned to Welles the further objection of Messrs. Hamilton and Ward [from the State Department], that the Government of China was appearing in transaction as such. This objection, I said, would be met by the organization of a new corporation in China by private individuals, which would deal with the American corporation. I mentioned that somewhere back of such private corporation would, of course, be the Foreign Trade Commission, and Welles said that that would be entirely satisfactory.

According to this new proposal, the period of delivery of tung oil (totaling 220,000 tons) was to
be lengthened from three to five years in order to satisfy State’s demand that the amount of annual tung oil imports be reduced. This was designed to prevent Japan from protesting a sharp rise in the Sino-American trade. More importantly, in order to obscure or remove the Chinese government from appearing in the agreement, Oliphant proposed that UTC’s counteragency in China would be backed by China’s Foreign Trade Commission, of which Chen was a director, not by the Chinese government. Likewise, “the loan would be guaranteed by the Bank of China, not by the Chinese Government.” In addition, UTC would not directly use the loan to purchase war materials, or it would avoid such appearance “by segregation of accounts.” In China, UTC’s counteragency was formed under the name of Foo Shing Trading Corporation.

On December 14, after a long period of deliberation, Hawthorne Arey, Secretary of the EIB, officially certified UTC’s application for a credit of up to $25 million on the ground that “the loan . . . will improve our foreign trade by causing to be exported agricultural and manufactured products.” On December 15, the RFC announced that the EIB had authorized a loan of $25 million at 4.5% interest to UTC for the purchase of American farm goods for China, which was to be repaid by the Chinese export of tung oil to the U.S.

Hallett Abend, a veteran New York Times reporter in China, reported that the Japanese regarded the loan agreement as “sentimental evidence of American sympathy for China instead of a business arrangement,” though they felt it to be an action “distinctly unfriendly” to Japan. According to Hugh Byas in Tokyo, the loan agreement shattered Japan’s “conviction that the United States would only place itself on record with written protests.” What worried the Japanese, Byas reported, was “whether the United States and Britain contemplate progressive measures to induce Japan to relax her grip on China” through a “camouflage” like UTC. The
Japanese, in essence, interpreted that America had been induced by Britain to support “the dying Chinese regime.” Soon afterwards, the British, encouraged by the U.S. action, took similar action. While the Japanese foreign minister issued a warning against such Anglo-American aid to China, China was supposed to obtain a 500,000 pound loan from Britain to buy trucks and equipment.

Chiang’s diplomatic pressures could have affected the State Department’s attitude toward financial aid to China. From mid-July, McHugh reported that China could make peace with Japan. This information was conveyed to Washington through Johnson’s confidential reports. On November 3, Japanese Prime Minister Fumimaro Konoye had announced a “New Order in East Asia,” a policy designed to bind Japan and China together against threats of communism and Western imperialism. This policy was also accompanied by Japanese suggestions of a peace agreement with China. For Chiang’s part, this could be utilized as a means of pressing Washington and London to take tangible actions in support of China. Chiang almost threatened the British Ambassador to make a loan for China as a sign of the British support for China. Grew also sent Washington a confidential report that the British actually decided to give what Chiang wanted to keep him standing firm against Japanese peace terms. After the Anglo-American pledges for financial aid were secured, Chiang rejected Konoye’s peace terms on December 26.

The formal U.S. loan was signed between the UTC and the EIB on February 8, 1939. When Congress raised questions about the RFC’s decision to support the EIB loan to China in February 1939, Jesse Jones responded that the transaction was a private one and Roosevelt had never ordered it. In the years which followed, this loan transaction would prove important, actually opening all major conduits of wartime finance and trade between America and China.
China’s Wartime Procurement through Universal Trading Corporation

UTC became China’s diplomatic vehicle toward Washington in 1939 and 1940. For China’s part, UTC was a conduit which aided Chiang’s government in securing American war materials, although it was supposed to purchase only non-military goods. Part of the EIB funds for UTC were used for the purchase of military materials through other private agencies. Equally important, UTC drew a number of Americans to China for technical and administrative advice regarding the shipment of materials in and out of China.

Information on the operation of UTC and other private agencies for Sino-American trade is meager and fragmentary. Yet, Fortune magazine of December 1940 aptly characterized UTC as a company “owned by Chiang Kai-shek, headed by a Scot [Lochhead], and financed by Jesse Jones.”108 Chiang’s government owned UTC’s $500,000 worth of stock as a whole, and yet its president was Archie Lochhead, Technical Assistant to Secretary Morgenthau. Lochhead resigned from Treasury to manage UTC on September 16, 1939.109 While Chen negotiated how to use the U.S. loan with Jones and Pierson in Washington, his assistant S. D. Ren operated UTC in New York as its Vice-President under Lochhead. In managing UTC, Lochhead was in charge of finances and contacts with American dealers, and Ren directed the corporation’s operating staff consisting of a number of American-trained Chinese engineers to purchase American materials under the direct orders of Kung in China. Chen’s other assistant, Hsi Te-mou, went back to China to run Foo Shing Trading Corporation for the shipment of tung oil. The entire operation of UTC was opened to U.S. government inspection as a U.S. corporation. It was Harry White who, in charge of verifying all statements of UTC, kept the loan procedures commercial, not political, in nature. Because UTC was not supposed to buy finished military goods, another
Chinese-owned U.S. company, Criterion Trading Corporation, whose offices were next to UTC’s, took charge of purchasing munitions. In fact, it was a subsidiary of UTC.

In 1939, UTC purchased roughly $15.5 million-worth of American materials, mainly trucks, auto parts, various oils, metals, machinery, and other non-military materials. According to confidential reports in December 1938 from the American Consul in Rangoon, Burma, to Hull, the Southwest Transportation Company, a Chinese corporation run by T. L. Soong, brother of T. V. Soong, was already purchasing trucks from representatives of American motor companies in Hong Kong and had established its offices in Rangoon with American motor businessmen. In addition, he reported that Wallace Pawley, a brother of William Pawley of the Intercontinental Corporation, was establishing an office in Rangoon for the shipment of American aircraft, and two representatives from the CAMCO, one American and the other British, had come to inspect the site of China’s newly proposed aircraft factory near the Chinese-Burma border. Trucks and truck parts, aircraft and aircraft parts, and other materials were purchased by companies representing the Chinese government in Hong Kong. And they were supposed to be shipped to Rangoon, Burma, in case land routes were blocked by the Japanese forces. The Burma Road increasingly became a major supply line between China and the outside world after the summer of 1939 when the French capitulated to Japanese pressures and stopped allowing the transit of military goods into China via Indochina.

To ship tung oil to seashores and import American materials to China’s interior, the GMD government needed to buy American trucks. The purchase of these trucks was thus linked to a wartime project to improve land routes connecting China’s interior and the seaports in South China or Indochina. Shortly after the loan contract, UTC agreed to purchase 1,000 trucks (500
GM and 500 Dodge ones) on December 22. The fund for this purchase was from the EIB. Chen also sought technical assistance from U.S. trucking experts for the shipment of Chinese imports from America over the Burma Road and the Indochina railway. Maurice L. Sheahan, Vice President of the Keeshin Transcontinental Motor Freight Lines in Chicago agreed to Chen’s offer. In August 1939, the EIB and the Keeshin Lines, however, denied to the press rumors that the agreement with Chen had been ordered by Washington or requested by the Chinese government. Yet, Chen did not conceal the fact that 3,000 trucks had already been purchased and 2,000 more would be purchased soon. On September 3, seven trucking experts, headed by Sheahan, arrived in Hong Kong and were received by T. V. Soong and T. L. Soong. They began working with the Chinese Ministry of Communications, T. L. Soong’s Southwestern Company, and Foo Shing Corporation. In a report to Hull on September 19, Ambassador Johnson wrote that “the Chinese regard them [Sheahan and others from Keeshin] as liaison officers between the Chinese Government and the Secretary of the Treasury and hoped that their reports will be utilized as the basis for more extended American financial assistance to China.”

However, improving the Burma Road and the Indochina Routes was slow and frustrating. Correspondence revealed some of the reasons: “They [Chinese] just will not take anything as you give it to them. They must scramble up the whole dam thing into an inextricable [administrative] mess which requires starting all over again. . . . All the while this goes on ‘Rome Burns’, transportation goes absolutely to hell.” The GMD’s notoriously inefficient administration, combined with Chinese ignorance, frustrated Americans. The Keeshin Line continued to work with the Chinese just for the purpose of making profits. At one point, Morgenthau, who cared about the whole process, was not happy with Keeshin’s outrageous charges to UTC. In any
case, after December 1938, 1,000 three-ton Chrysler and GM trucks were actually shipped to Rangoon.\textsuperscript{118} In 1939 and the first half of 1940, the Indochina railway continued to serve as China’s major route for the importation of U.S. products, though the road was occasionally bombed by the Japanese. Later, the German seizure of France in June 1940 forced French Indochina to concede to Japan’s request to close the traffic. Furthermore, under Japanese pressure, the British closed the Burma Road from July 18 to October 18, 1940. After this blockade was withdrawn, the importance of the Burma Road sharply increased.

The purchase of American aircraft occupied a place of special importance in Chinese wartime strategy. Unlike Japan, China had no capacity for manufacturing aircraft and therefore had to import aircraft from foreign countries or rely on foreign technicians. By 1939, Soviet assistance to the Chinese air force, including 2,000 “volunteer” pilots and 1,000 airplanes, had become critically important. But after the outbreak of war in Europe, Soviet aid significantly declined and the Chinese demand for American aircraft increased correspondingly. In fact, from the beginning, the Chinese preferred the latest American fighter planes in order to cope with Japanese air raids. In 1939-1941, Chongqing was, in Young’s expression, “the most bombed city in the world.”\textsuperscript{119} According to Young, who had been involved in the development of the Chinese air force, the Chinese were terribly ignorant and inefficient about the use of an air force. Also, American sellers of airplanes were enmeshed in factional politics within the GMD.\textsuperscript{120}

Chinese purchases and shipments of American aircraft and aircraft parts were not directly handled by UTC or Criterion Corporation. Part of the fund for these purchases was extracted from UTC, but the contracts were negotiated by other private agencies. According to the \textit{New York Times} of April 1939, China’s purchase of 100 U.S. planes at a value of $7 to 15 million was
being negotiated between Samuel Needleman of the Aviation Equipment and Export, Inc. and A. L. Paterson, a representative of American manufacturers in China. They were reported as middlemen between all U.S. aircraft companies and China Airmotive, Inc., a Chinese purchasing agency in America. Their deals were under secrecy, and the Chinese embassy in Washington denied that it knew anything about China Airmotive, Inc.¹²¹ In China and Indochina, Pawley’s Intercontinental Corporation, a subsidiary of the CAMCO, was in charge of the purchase and manufacturing of many U.S. planes. According to Lauchlin Currie, an economic advisor to the President who played a key role in Sino-American relations in 1941, Pawley negotiated about C$11 million (Chinese yuan) of business with the Chinese government in 1939.¹²² Chen also appealed to Morgenthau for help in purchasing aircraft.¹²³ Between December 1937 and December 1938, China’s purchase of U.S. aircraft amounted to nearly $6 million out of its $9.2 million-worth of total purchases of munitions in America, while Japan’s purchase of U.S. aircraft accounted at $1.7 million out of $9.2 million.¹²⁴ In 1939, China’s purchase of U.S. aircraft totaled $4.2 million and Japan’s remained at $761,000.¹²⁵ This disparity was partly due to Washington’s “moral embargo” on the export of airplanes to Japan.

China’s seemingly secretive purchases of American materials were not unique in view of Morgenthau’s “foreign” policy. When Chen was busy procuring American materials through UTC, Jean Monnet, a French financier-diplomat, came to Washington for secret purchases of American airplanes through Morgenthau. Urged by Bullitt, Morgenthau planned to finance the French through a purchasing corporation similar to UTC, although his plan for the French was eventually blocked by the War Department and the U.S. Congress.¹²⁶

One of the instigators behind the Chinese and French attempts to purchase American
materials was Rajchman, a close friend of Soong and Monnet, though he was not connected to Morgenthau. In 1937-1938, Rajchman was a middleman who suggested to the French government various secret projects on behalf of China, insisting that France could defend her colonies in Asia by aiding China’s war against Japan. Together with Koo, he persuaded Georges Mandel, the French Minister of the Colonies, to secretly allow the transit of foreign military goods into China’s interior via Indochina. In January 1939, Rajchman was dismissed from the League of Nations for his anti-Japanese and German lobbying efforts. Shortly after that, he visited New York and talked with Chen who explained the difficulties of shipping American military goods to China. Rajchman developed a project to create depots in Singapore and Indochina for storing munitions for China. Also, after consulting with Monnet and Soong, Rajchman suggested a plan to purchase American airplanes through an American corporation in return for the export of Chinese tungsten. At the same time, he sought a project to build a Sino-French military alliance through the French aviation mission to China, later known as the “Mandel Plan.” Although his plans ended in smoke because of the outbreak of war in Europe, Rajchman still remained in China, working with T. V. Soong and his brother, T. L., for securing foreign aid and shipping foreign materials via Indochina.

Strictly speaking, UTC was not created simply because Washington wanted to help China. According to Fortune, the amount of the purchases was “infinitesimal when translated into either peace or wartime requirements for the 420 million people.” In Washington, people knew it was too short a supply in China: “The least extravagant suggested the round figure of $100 million: all agreed that $500 million would be needed eventually.” Yet, it had taken the tortuous three months of negotiations to provide a loan of $25 million for China in 1938. Further,
China had to release half of the profits of every sale of tung oil to make regular payments of the loan. Even then, UTC accounted for only a third of the U.S. tung oil market in 1939, because the rest of tung oil was imported by Japanese traders in occupied areas of China or was smuggled. In addition, UTC lost $25,000 as federal and New York state income taxes in 1939. UTC was by no means to make profits for China. Rather, UTC’s “real asset is its credit - its ability, in other words, to meet its U.S. obligations.”129 By checking with China’s performance against Japan and her debt payments to America from time to time, Washington would rigorously test China’s eligibility for further small financial assistance, while seeking immediate commercial profits from UTC. In brief, UTC was not a conscious attempt by Washington to help out China, but it was set up as a response to China’s desperate attempts to maintain and extend economic ties with the United States.

One episode tells how desperate the Chinese were to get the first loan in 1938. In February 1940, the New York Times reported about a lawsuit against UTC. Rudolf Hecht, a banker-lobbyist, sued Chen and his two Chinese assistants, claiming that he was entitled to receive $1 million-commission for his lobbying work for the first EIB loan to UTC. Hecht alleged that, back in April 1938, the Chinese Ambassador C. T. Wang had requested him to lobby for a U.S. loan in return for a $1 million fee and that he and his fellow bankers had successfully pressed Roosevelt, Hull, and Jones for the conclusion of the first Chinese loan. Hecht also claimed that he had helped Wang to secure the purchase of GM trucks. However, the State Department and the RFC dismissed all his allegations.130 Although the U.S. government defended the Chinese in this case, this episode suggests that the Chinese had been willing to pay $1 million to an American lobbyist in order to get a $25 million loan.
Plans for Additional American Financial Aid to UTC

By mid-1939, China had nearly exhausted the credits that she had secured from foreign countries. In Washington, another loan to China was discussed. In late March 1939, Harry White urged Morgenthau to endorse $100 million of additional financial aid to China for a ten-year period on the grounds that “China is the only country that is resisting the aggressor nations” while Britain and France were faced with the growing Nazi threats. In early April, White submitted a report to Morgenthau about “the possibilities of depriving the aggressor countries of needed strategic war materials.” In this report, he proposed that America and its presumed allies would need to block the trade in such strategic materials as manganese, rubber, copper, petroleum, tungsten, tin, nickel, and cotton to Germany, Italy, and Japan. He added that though his proposal might not yet be feasible, any gesture toward the proposal would have “a powerful political effect in raising the morale and encouraging the democratic countries to make firm stand against further aggression.” White also proposed embargoes on the export of scrap iron for the same reason. In particular, White urged Morgenthau to purchase tin or tungsten from China in advance of Japan’s taking over and to push the embargo on the export of scrap iron to Japan as a defense measure. White’s reports became the basis of Treasury policy toward China and Japan after 1939. On the one hand, Treasury would support additional U.S. loans to China in exchange of the importation of Chinese tin and tungsten, on the ground that they were strategic materials needed for national defense. On the other hand, Treasury would support embargoes on the export of all strategic materials, including scrap iron, to Japan on the same ground.

However, the State Department, as mentioned earlier, was unwilling to influence the Sino-Japanese conflict, either through financial aid to China or through economic sanctions.
against Japan. Hornbeck and Hamilton considered embargoes a means of pressuring Japan in case Japan posed an outright threat to American (and Western) rights in Asia. Likewise, financial aid to China, if any, would be used as a means of pressuring Japan rather than as a means of helping China. As explained in the previous chapter, Hull’s notification of America’s intention to terminate the 1911 commercial treaty with Japan on July 26, 1939, was not so much a concrete step toward embargoes on the exports to Japan as calculated diplomatic pressure on Japan, responding to Japan’s increased threats to the British and French in Asia. Not surprisingly, the State Department exchanged information about China’s condition primarily with the British and French governments rather than with the Chinese government, because State did not want the Japanese to get the impression that Washington closely contacted Chongqing.133

In July, Chiang directly appealed to Roosevelt for U.S. aid and decided to send out W. W. Yen, former Chinese minister to America, as an envoy to Washington.134 In August, Kung also sent a plea for financial aid to Roosevelt, emphasizing that “China is in effect fighting the battle of all democratic nations.”135 Yen’s mission, however, was postponed. After war broke out in Europe, the Chinese stepped up their efforts to secure U.S. aid by identifying China with Western democracies. In mid-September, Chiang delivered a list of China’s requests for U.S. financial aid to Hull through Koo and Bullitt. This list called for a $70 million silver purchase, a $50 million EIB loan, and $50 million worth of tin purchases by the U.S. government.136 Also, Kung appealed for two separate loans of $75 million and $25 million to Morgenthau through Chen. In early October, Morgenthau answered Chen that Roosevelt had instructed him “to do everything possible to be helpful within legal limits.”137

In November, the Chinese stepped up their lobbying efforts in Washington. In early
November, W. W. Yen conferred with Roosevelt on behalf of Chiang, though the President gave no more than a vague statement of encouragement. Shortly before this conference, Hull had warned Roosevelt that any U.S. action “directed toward bringing about an adjustment of the Sino-Japanese conflict by diplomatic processes would be inopportune.” Meanwhile, Chen submitted to Morgenthau a purchasing list for the $75 million, all non-military goods in the United States. Chen also offered the itemized list to Jones. After the first EIB loan to China, Jones doubted China’s ability to repay the loan on schedule. Later, in his memoirs, Jones wrote that the Chinese “somehow got that tung oil off to us, always on time and in sufficient quantity to meet the scheduled interest and capital payments on the loan.” Jones saw aid to China from a purely financial viewpoint. Treasury consulted with the RFC over providing a loan to UTC against the purchase of Chinese tin through UTC. Treasury found that the RFC had no legal opposition in that procedure. On November 20-22, White submitted to Morgenthau reports on the tin loan. He proposed a loan of $35 million against 100,000 tons of Chinese tin over a ten-year period (with its total value of $75 million). Because China had nearly exhausted the EIB loan of 1938 and all European allies were in weak positions, America alone could finance China’s continuing struggle against Japan. A major risk in the importation of Chinese tin, he pointed out, would be Japan’s complete blockade of China or the communist takeover of the tin region. White felt it necessary to boost morale of the GMD through the tin loan. He also believed that “the State Department will doubtless have definite views on the political desirability of making the loan at this time.”

Arthur Young was also in Washington to lobby for a U.S. stabilization loan to China. He found that Hornbeck and Harry White were in support of his request and Morgenthau was
opposed to it. Indeed, by the end of the year, Hornbeck showed his willingness to support financial aid to China and economic measures against Japan. In his crucial memo of December 29, 1939, he suggested three forms of economic aid to China: 1) additional EIB loans to China; 2) support for China’s currency; 3) a Congressional fund for China’s war relief. His support for a currency loan reflected the fear of what Young constantly reminded him: “Should the Chinese currency collapse, not only would it be difficult for the Chinese Government to continue organized resistance but the Japanese and the regimes which they sponsor in China . . . would threaten American trade and investments in China with virtual extinction.” With regard to taking restrictive measures against Japan, he insisted that “definite choices of action should be made from time to time in the light of all circumstances existing at a particular moment.” He suggested that State should follow a policy on a case-by-case basis to Japanese moves, not a predetermined course of action against Japan. After all, “the extension of aid to China appears to hold more of promise toward protecting the interests of this country in the Far East than does the adoption of economic measures against Japan.” What he recommended was a policy “calculated to contribute toward survival of the Chinese Government and of China’s sovereignty,” because “along this line, the political aspects of our action in exertion of pressure could be minimized and dangerously great provocation of Japan, to the extent of causing the Japanese Government to take retaliatory action, might be avoided.” He concluded that giving a modicum of financial aid to China was a safer weapon against Japan than imposing economic sanctions against Tokyo itself.

On March 6, 1940, Hornbeck, on behalf of Hull, discussed with Morgenthau the “possible use of the Stabilization Fund in connection with the situation in China.” Hornbeck said that the State Department was “neither recommending nor asking for any course of action.” Yet,
he wanted to explore suggestions made by Young months earlier. Morgenthau transferred the issue to White. Hornbeck told White that “we here are not thinking in terms of the possibility of a loan” but the “economic (financial) and political effect in relations to the situation in the Far East.” He found that Treasury had not yet studied the matter seriously. In fact, Hornbeck and other State officials did not consider aid to China seriously. Rather, they suggested to Morgenthau that he should use the Stabilization Fund to help China, an idea which he had opposed. In other words, they wanted to nullify Morgenthau’s plan to aid China or embarrass him by recommending what he was unwilling to endorse.

Morgenthau’s way of helping China was to purchase strategic materials from China with a U.S. loan, as suggested by White earlier. The first option was to buy Chinese tin. There were, however, several problems in EIB’s tin loan proposal. One was that much of China’s tin was of an inferior quality, and no one was sure how useful it would be to American industry. Thus, the Bureau of Mines began surveying the use of Chinese tin, a survey which would take much time to complete. Another problem was how to finance the proposed loan. Under existing laws, the EIB’s lending capacity was limited to $30 million to any one foreign country at any one time. Because China had repaid about $3 million for the 1938 credit of $25 million, she could get only a maximum of $8 million from the EIB. Another obstacle to making the proposed loan was the administration’s reluctance to provide credits to China at the expense of the increasing financial needs of its European friends. When Morgenthau asked Roosevelt for another loan to China in early January 1940, the President answered that he didn’t want to kill the proposed loan to Finland in favor of aid to China. However, a solution was found when the Senate Foreign Relations Committee approved an increase in the EIB’s lending capacity to $100 million on
February 7.\textsuperscript{150} Congress approved $25 million to China together with $160 million for Europe.\textsuperscript{151} On March 7, after an adjustment, a $20 million loan to UTC was approved, to be paid back by Chinese tin.\textsuperscript{152} This loan was formalized on April 20. At Morgenthau’s request on behalf of Chen, Jones soon considered yet another loan to China for the purchase of Chinese tungsten.

Morgenthau resisted State’s demands for a stabilization loan for China. On April 11, Hornbeck sent a letter to Morgenthau which enclosed Young’s confidential letter that asked for a currency stabilization loan extracted from Treasury’s Stabilization Fund.\textsuperscript{153} Months earlier, Morgenthau had made a commitment to the Senate Banking and Currency Committee that he would not use the Treasury’s Stabilization Fund in assisting a foreign country engaging in a war without Senate approval. The use of the Fund to support such financially unstable countries as China required a special justification for Congressional approval. Morgenthau was unwilling to do so. Hornbeck informed Hull on May 2, 1940, that Morgenthau “would not use the Fund for that purpose [stabilizing the Chinese yuan] without first obtaining permission from the Congress.”\textsuperscript{154}

According to Young, however, Morgenthau did not trust any other Chinese representative but Chen.\textsuperscript{155} In addition to Young, Rajchman was also in Washington to lobby for a stabilization loan to China.\textsuperscript{156} Treasury records actually reveal that Morgenthau suspected Chinese leaders and Chinese lobbying activities in Washington of working for a stabilization loan. At a Treasury meeting on April 30, he revealed his suspicion of Young’s lobbying activities to Hornbeck. Morgenthau was upset by the fact that “Hornbeck, who has been so pro-Japanese and anti-Chinese now suddenly wants to do everything we can.” He suggested that “my theory is here is something [in Hornbeck’s report]- the stabilization fund - and to keep letting this fellow Young,
the financial advisor to the Chinese, give him hope that we are going to do something, is doing them in the long run a disservice.” Also, Morgenthau was unhappy, because the Chinese “sent this Pole [Rajchman] over here on the same mission.” When White expressed his disagreement on such a suspicion, Morgenthau affirmed his position: “I will do business with Chen, because he will keep his word, but the rest of them are just a bunch of crooks.” He scorned Chiang and Kung: “I can’t risk United States money in trying to stabilize the currency in a country where the Ministry of Finance and the head of the political party are crooks.”157 These remarks suggest that Morgenthau’s sympathy with China and enmity toward Japan were subordinate to his own sense of foreign policy and administrative control.

Morgenthau’s personal friendship with Chen may have been a critical factor in providing American assistance to China in 1938-1940. Morgenthau once told a European purchaser that Chen was “the Chinese gentleman . . . in whom I have great confidence and it’s entirely on his personal word that I recommended the first and second loan.”158 In the spring of 1940, on behalf of Chen, Morgenthau persuaded the British and French to buy Chinese materials through UTC. Before going back to China, Chen again expressed China’s hope to get more loans and war materials from America. Morgenthau reaffirmed his trust in Chen, saying that “China would never have gotten this money if you hadn’t have come, never, and you can tell that to them, that they never would have gotten a penny if it hadn’t been for you.” After Chen had left America in June, Morgenthau told his staff that Chen was “the only Chinese that has not tried to kid me and if he tell you something is so, it’s absolutely so.”159 Going back to Hong Kong, Chen was supposed to supervise the shipment of materials funded by UTC which was run by his assistant, S. D. Ren. To replace Chen as China’s chief financial negotiator in Washington, T. V. Soong set
Between 1938 and mid-1940, the U.S. State and Treasury Departments pursued different, and often conflicting, policy options toward China and Japan. The State Department pursued a long-term strategy designed to delay American involvement in international conflicts in Asia, while the Treasury Department pursued a course of action opposing what it saw as policies of appeasement to aggressors. American financial aid to China was an issue in this policy rivalry. Before the European situation apparently followed a course of larger conflict, State had discouraged financial aid to China on the grounds that it might be interpreted as offensive to Japan and cause American conflict with that nation. Meanwhile, the course of events in 1937-1938 forced the GMD government to tie itself to Washington, even if the initial deals were made on all American terms. Because the State Department actually discouraged the strengthening of Sino-American relations through regular channels, the GMD sought aid from the U.S. Treasury. Although K. P. Chen was never a professional diplomat or lobbyist, he was chosen by Treasury to become a medium for Sino-American financial transactions. To accommodate State’s desire to avoid diplomatic friction with Japan, the Treasury staff and Chinese bankers devised private agencies which, funded and advised by Treasury, became lifelines for China’s survival for more than two years. These episodes also show how Morgenthau tried to influence American foreign policy along his political agendas. In particular, Morgenthau’s challenge to State Department policies seemed to be often driven by a sense of rivalry. In a sense, the Chinese took advantages from this administrative rivalry in Washington.


9. China and interested powers, especially Britain which had larger possessions in Asia than any other foreign powers, called on Washington for a joint boycott or protest against Japan’s violation of treaty obligations, hoping that America would take lead in that protest. The State Department affirmed its willingness to cooperate with them for the sake of peaceful settlement of Sino-Japanese hostilities, but declined to agree to proposals for coordinated action. Although neither the United States, Britain, France, nor the Soviet Union was willing to take the initiative, the British for months suggested the formation of an Anglo-American coalition or a larger international rally. However, as early as July 14, 1937, Hornbeck made it clear to the British ambassador that “cooperation in parallel but independent lines would be more effective.” To Chiang Kai-shek, who was puzzled at the American attitude which seemed cooperative and yet consistently opposed to any joint action with the British, Johnson gave an explanation that the word “parallel” meant independent action in “consultation.” See Hornbeck’s memo, July 14, 1937, *Ibid.*, III: 160-61; Hull to Johnson, August 25, 1937, *Ibid.*, III: 471-72; Johnson to Hull, September 1, *Ibid.*, III: 503-04.

10. The encouragement of a bilateral peace between China and Japan was, as Johnson put it, “to purchase peace with the loss of sovereign rights” on the part of China. Hamilton knew that “no Chinese Government can or will sign an agreement with the Japanese Government recognizing Japan’s gains.” Nevertheless, Hull’s position was that the U.S. could not go beyond that. See Johnson to Hull, August 12, 1937, *Ibid.*, III: 386; Hamilton’s memo, October 12, 1937, *Ibid.*, III: 597.


12. To repeated Chinese requests for American actions on the Japanese violation of the Nine Power Treaty and the Kellogg-Briand Pact, Hornbeck and Hull equivocally maintained that
America would not make any commitment or take any action in regard to those treaties. In regard to the Neutrality Act, the Chinese asked State not to apply it to East Asia, because, once applied, it would still allow Japan to buy raw materials and make them into manufactured weapons while it would virtually stop all Sino-American arms trade. China, as being underdeveloped and having few adequate shipping vehicles, had to import already manufactured goods from America with foreign ships. Although State did not want to jeopardize trade with either China or Japan, it did not rule out the application of the Neutrality Act as diplomatic leverage. See Hornbeck’s memo, August 6, 1937, FRUS (1937), III: 333-34; Hornbeck’s memo, August 12, 1937, Ibid., III: 381-82; Bullitt to Hull, August 23, 1937, Ibid., III: 459-60; Hornbeck’s memo, August 20, 1937, FRUS, (1937), vol. IV: 3-4.


14. Utley, Going to War with Japan, 10-11.

15. For instance, Hornbeck, who had opposed U.S. action in China, all of sudden advocated, shortly after Japanese troops had moved in Shanghai in August, that “we should send additional forces” to Shanghai, because Shanghai “has been controlled by the Powers rather than by the Chinese Government.” He immediately took up this matter with the President. Hornbeck to Hull, August 16, 1937, FRUS (1937), III: 421-423.

16. Between 1937 and 1939, the Soviet Union provided China with credits of $250 million at three occasions at 3% interest rate, which were the largest of all foreign aid efforts to China during the period and given on much more liberal terms than any Western country. Also, it provided the GMD with a huge amount of military aid including 1,000 planes, 2,000 “volunteer” pilots, and 500 military advisors. After the European war had broken out in September 1939, however, Soviet aid to China was progressively reduced. According to a confidential report to Morgenthau in September 1940, the Soviets had provided 1,000 planes, 200 tanks, and 1.2 million rifles after the outbreak of hostilities in 1937, and retained 140 military advisors, 120 air advisors, and 260 volunteer airmen in 1940. See Arthur N. Young, China and the Helping Hands, 1937-1945 (Cambridge: Harvard University Press, 1963), 125-30; Spagent to Morgenthau, September 6, 1940, Morgenthau Papers, Box 303: 297.


24. The State Department found it to be a violation of domestic laws for American citizens to serve a foreign military agency. Late in August, it also found that 19 airplanes, manufactured by a Delaware corporation, were shipped on board the S.S. Wichita, a government-owned vessel. See Gauss to Hull, August 15, 1937, FRUS (1937), IV: 520; Gauss to Hull, August 19, 1937, Ibid., IV: 521; A memo of Joseph Green (Chief of the Arms and Munitions Control Division), August 30, 1937, Ibid., IV: 522-23.


27. Young, China’s Wartime Finance, 102.


31. After the outbreak of Sino-Japanese hostilities in 1937, a most urgent concern of the GMD was to bridge the gap between shrinking revenue and expanding military expenditures. In 1939, regular taxes constituted only about 5% of Chongqing’s total revenue. The GMD at Chongqing had to maintain itself as the central government of China by relying mostly on borrowed money from banks in and out of China. That borrowed money was immediately used for military purposes which accounted for 60-70% of total cash budgetary expenditures. In 1937-1938, out of the total C$2,103 million budget, C$1,388 million was used for military expenditures, C$168 million for (domestic) reconstruction, and C$374 million for the payment of debt. In 1939, the military expenditures amounted C$1,600 million out of the total C$3,063 million. In 1940, they rose to C$3,911 million out of C$5,425 million. In 1941, they remained at C$6,616 million out
of C$10,892 million. Inflation was a predictable outcome of the massive borrowing and an excessive printing of bank notes for it. Yet, according to Arthur Young, China managed policy to keep inflation down reasonably well until 1943 when the inflationary spiral became accelerated. See Young, *China’s Wartime Finance*, 15-17, 32-63, 299-327; Hsi-Sheng Ch’i, *Nationalist China at War* (Ann Arbor, MI: University of Michigan Press, 1982), 165-181.

32. Young, *China and the Helping Hand*, 39-41. According to Young, China’s financial depression had been caused first by America’s irresponsible silver purchasing policy in 1934. But the GMD successfully completed financial reforms in 1935-36. Then, it was struck by Japan’s invasion in 1937. In mid-1937, China’s total reserves were about $379 million, and $185 million of them had been spent for war supplies in the first eight months. See *Ibid.*, 63.


35. Johnson to Hornbeck, July 7, 1938, Hornbeck Papers, Box 261.


38. *Ibid.*, III: 75. In addition, the British demanded that Chiang replace Kung with Soong as China’s Finance Minister in return for the loan. Chiang considered such a condition intrusive and rejected it.


40. Haas to Morgenthau, September 8, 1937, *Ibid.*, Box 87: 383-87. China took only 2% of American exports and China constituted only 3% of American imports that included no items essential for America. Japan took 8% of American exports and America took 22% of all Japan’s exports including the demanding item of silk. In any case, Japan was much more important trade partner than China.


44. Young, *China and the Helping Hand*, 31-33, 61-62. By selling silver, the Chinese wanted to increase their foreign exchange and purchase war materials from the U.S. market.

45. Conversation between Morgenthau and Hull, December 2, 1937, Morgenthau Papers, Box 100: 141.
46. State Department Memorandum, December 6, 1937, Ibid., Box 100: 394.
47. Treasury Interoffice Communication, May 27, 1938, Ibid., Box 126: 260.
48. Probable Chronology of Chinese Loan, undated (1938), Ibid., Box 143: 293.
53. Treasury Meeting, September 6, 1938, Morgenthau Papers, Box 138: 208.
54. Bullitt to FDR, August 8, 1938, quoted in Bullitt, *For the President*, 278-79.
55. For instance, on August 2, FDR raised the issue of China loan and instructed Morgenthau to talk to Chinese Ambassador C. T. Wang. On the next day, however, Morgenthau was upset by Wang who thought that he had secured a $25 million loan for China. Morgenthau cautioned Wang that nothing had been agreed upon between Americans and the Chinese. For this embarrassing incident, the Chinese made an apology, and Wang was replaced by Hu Shih in September. See Probable Chronology of Chinese Loan, undated (1938), Morgenthau Papers, Box 143: 294.
56. Hornbeck to Bullitt, August 11, 1938, Hornbeck Papers, Box 41.
57. J. Lossing Buck to Morgenthau, September 6, 1938, Morgenthau Papers, Box 138: 167-68, 171-203. Buck informed Morgenthau that Chiang had enough war supplies for two years and the Soviets were providing ample war supplies. Chiang’s main concern was to maintain the currency. Buck also informed the Treasury Secretary that Madame Chiang was interested in buying American airplanes. Another Treasury attache in China had informed Morgenthau that financial aid to China would boost Chinese morale and prolong their resistance against Japan. He also noted that China had enough ammunition to use until April 1939, but her main concern was to secure financial aid in supporting foreign currency holdings. See Nicholson to Morgenthau, August 24, 1938, Morgenthau Papers, Box 138: 230.
59. Interdepartmental Meeting, September 6, 1938, Ibid., Box 138: 213.
60. Ibid., Box 138: 214-21.
61. Herman Oliphant, General Counsel of the Treasury, reported to Wayne Taylor, Assistant Secretary, as follows: “Under existing law the Reconstruction Finance Corporation has authority
(Section 5 of the RFC Act) to make loans to banks, ‘to aid in financing agriculture, commerce, and industry.’ It is probable that under this authority the Reconstruction Finance Corporation could make loans to the Export-Import Bank, which in turn had sufficiently broad statutory and charter powers to make advances to the Federal Surplus Commodities Corporation for the purpose of enabling that Corporation to make purchases abroad of strategic and critical materials.” See Oliphant to Taylor, September 7, 1938, Ibid., Box 138: 260.


63. Young, *China and the Helping Hand*, 78-79.


65. Memorandum of Conference at Jesse Jones’s Office, undated, Morgenthau Papers, Box 142: 168.


67. Ibid., Box 142: 184-91. The Chinese wanted to sell tung oil first, and tungsten and tin in exchange for American loans. They were not mortgaged, but tin was a monopoly item of the Yunnan provincial government, which had to be negotiated with the GMD. The Chinese told Treasury officials that any American loan would be transferred from the Federal Reserve Bank to the Chase Bank where they kept their accounts and draw instructions of the Chinese government from Kung. Treasury officials were not initially enthusiastic about the purchase of tung oil, but became concerned about the Japanese take-over of it. See Ibid., September 26, 1938, Box 142: 190, 377-78, 384-85.

68. FDR’s attitude was, as Morgenthau put it: “He [FDR] says, ‘Well, if there’s war in Europe we’ll give them the credit,’ and then he thought a few minutes and he said, ‘And if there isn’t maybe we’ll do it anyway.’” Morgenthau felt that if he pushed enough he would get it. See Treasury Meeting, September 26, 1938, Ibid., Box 142: 352.

69. Treasury Meeting, September 28, 1938, Ibid., Box 143: 164.

70. Interdepartmental Meeting, September 30, 1938, Ibid., Box 143: 272-78.

71. Ibid., Box 143: 281-85.

72. Treasury Meeting, October 6, 1938, Ibid., Box 144: 187.

73. Morgenthau and his staff wondered how Captain Evans Carlson and Lieutenant McHugh, and Buck occasionally took a role as liaison officers between Chiang and American officials. Buoyed by a prospect of forthcoming aid, they sent Chiang’s appreciation to Morgenthau. It was also in early October that Chiang replaced the Chinese Ambassador C. T. Wang, who had disturbed Morgenthau at one point, with Hu Shih. See Ibid.
74. Treasury Meeting, October 7, 1938, Morgenthau Papers, Box 144: 287. The three businessmen were Philo W. Parker of Socony (Standard) Vacuum Export Company, James Moffett and Philip LeFevre of California-Texas Oil Company.

75. Ibid.

76. Young, *China and the Helping Hand*, 79.

77. It seems that Young had a bias against Morgenthau especially on his rivalry with the State Department. For instance, Young does not mention in his book Hull’s persistent opposition to financial aid to China. He rather sees Morgenthau as an impulsive trouble-maker. He says that Morgenthau’s attempt in late 1940 to provide aid to China through the Soviet Union “made plenty of trouble within the Administration.” His attempt, whatever his motive, came at China’s request. Young’s view paralleled State Department opinions. See Ibid., 72-83, 134.

78. Morgenthau to Kung, October 8, 1938, Morgenthau Papers, Box 145: 69.

79. Kung to Chen, October 20, 1938, Ibid., Box 146: 358.

80. White to Morgenthau, October 12, 1938, Ibid., Box 145: 331-35. In the conference that was later reported by White, Chen talked with the highest ranking officials from Standard Vacuum Oil, California Texas Oil, International Harvester, General Motors, Chrysler Motor, and Ford Motor Companies.

81. Treasury Meeting, October 13, 1938, Ibid., Box 145: 386. Naval captains that Roosevelt recommended were Captain John Hancock Lehman and Dick Fuller who had been associated with FDR as Assistant Secretary of the Navy.

82. See A Meeting Note, October 7, 1938, Ibid., Box 144: 306-10; Box 145: 248-50.

83. Morgenthau to FDR, October 17, 1938, Harry White Papers, Box 6.

84. Treasury Meeting, October 20, 1938, Morgenthau Papers, Box 46: 295-98.

85. Ibid., Box 46: 298-305.

86. Taylor to Morgenthau, October 20, 1938, Ibid., Box 146: 272-73.

87. Treasury Meeting, October 25, 1938, Ibid., Box 147: 362-63; Morgenthau to FDR, October 25, 1938, Ibid., Box 147: 387-90. At this stage of plan, UTC would purchase 180,000 tons of tung oil at 12 cents per pound for a three-year period at a total price of $43,200,000 and the EIB would finance one-half of the UTC’s purchase with the initial payment of $21,600,000 in exchange for an unconditional security of the loan by the Chinese government.

92. Treasury Meeting, November 15, 1938, Ibid., Box 151: 11-A.
93. Hamilton’s memo, November 13, 1938, FRUS (1938), III: 571.
95. Hull’s memo, November 14, 1938, Ibid., III: 574-75.
98. Oliphant to Morgenthau, December 7, 1938, Ibid., Box 155: 76.
100. Oliphant to Morgenthau, December 8, 1938, Ibid., Box 155: 116-17.
104. Ibid., December 17, 1938: 1-2.
105. Ibid., December 20, 1938: 20.
109. Lochhead had been a most promising foreign exchange expert in Wall Street before his employment in the Treasury Department in 1933 as a technical expert in charge of the $2 billion Stabilization Fund. He was also in charge of the purchase of foreign silver under the Silver Purchasing Act. See New York Times, September 16, 1939: 25.


114. The Committee on the Judiciary, *Morgenthau Diary*, vol. 1, 41-44.


117. A Treasury memo, December 28, 1939, Ibid., Box 232: 296-97. To UTC, they charged $933.60 out of the total $1,525.38 for four round trips between New York City and Washington, D.C.


119. Young, *China and the Helping Hand*, 125-130, 139. It was reportedly said that Chongqing had suffered 268 air raids in 1939-1941.

120. *Ibid*.


126. Blum, *From the Morgenthau Diaries*, vol. 2, 64-86.

127. Balinska, *For the Good of Humanity*. 131. Officially, however, the French authority had banned the transit of military goods through Indochina due to Japanese pressures since October 1937.

129. Tung oil was a necessary ingredient for the high-grade paint and varnish industry, and 95% of it was imported from China. Foo Shing Corporation delivered 41 million pounds of tung oil at $8,745,000 in 1939-1940, and 2,210,000 pounds of tin at a value of over $1 million within six months after Jones allowed $20 million additional loan for UTC on the basis of Chinese tin in March, 1940. Out of this money, UTC paid off nearly $4.7 million in interest and principal on $20,840,000 borrowed on the $25 million tung oil loan, $300,000 for the repayment of the $2 million tin loan so far extended by the fall of 1940. Another loan of $25 million was announced on the basis of tungsten in September 1940, just before Japan formally joined the Axis. In addition to Foo Shing, Chen set up two additional Chinese companies, the Fu-Hua Trading Corporation and the China Tea Corporation, as UTC’s counterparts in China. The first dealt with silk, sesame oil, and agricultural stuffs. See “Universal Trading Corp.,” *Fortune*, 105-08, 134-37.


132. White to Morgenthau, April 8, 1939, Morgenthau Papers, Box 177: 167-71; White to Morgenthau, April 10, 1939, Ibid., Box 177: 157-58.

133. Aware of State’s attitude, the Chinese conveyed their messages to Washington often via London and Paris. As usual, they sought cooperation with the British and French in inducing American aid to China in connection with European aid to China. When the Chinese, in consultation with the British and French, made a series of appeals for urgent financial aid for currency stabilization during July and August, Hornbeck told Ambassador Hu Shih that, although he was in sympathy with the Chinese efforts to fill out the exhausted currency reserves, “each of the governments to which the currency situation in China presents a problem must proceed in its own way.” See Hornbeck’s memo, August 2, 1939, *FRUS* (1939), III: 700.

134. Chiang to FDR, July 20, 1939, *Ibid*, III: 687-91. In the midst of mounting Japanese pressure on the British, Chiang sent this letter to FDR to appeal for more aid. In this letter, he asked for: 1) “a conference to settle the present bloody conflict”; 2) economic sanctions, unilateral or collective, against Japan on the ground of her violations of the Nine Power Treaty; 3) substantial amounts of material assistance to China; 4) “the assuming of more responsibilities in the Pacific region in case of war in Europe.”


137. The Committee on the Judiciary, *Morgenthau Diary*, vol. 1, 22.


139. A summary of the purchasing materials, undated (November 1939), Morgenthau Papers, Box 223: 115.

141. E. H. Foley, Jr. to White, November 20, 1939, Morgenthau Papers, Box 223: 126.


143. Young, *China and the Helping Hand*, 166-67. Young was in the United States after July. According to him, the purpose of his stay in the United States was “for rest and for personal reasons.” However, in November, he negotiated with State and Treasury officials about aid to China, especially for a cash loan to support Chinese currency. He proposed two separate loans of $75 million and $25 million to both the State and Treasury Departments.

144. Unlike Hamilton, Hornbeck in 1939 seemed to prefer giving aid to China to pressure Japan in case of Japan’s constant expansion, although he never urged it over the opposition from other officials. He once mentioned in his memo of March 8: “It is easier to give assistance to China than to place obstacles directly in the way of Japan.” See Hornbeck’s memo, March 8, 1939, *FRUS* (1939), III: 656.


146. Hornbeck’s memo, March 6, 1940, *FRUS* (1940), III: 645-46.

147. White to Morgenthau, November 22, 1939, Morgenthau Papers, Box 223: 212.


149. Treasury Meeting, January 10, 1940, Morgenthau Papers, Box 234: 258.


156. Allied with Soong, Rajchman worked for aid to China and attempted to influence Chinese politics. In the summer of 1939, he informed Chiang and Kung that the Europeans wanted Soong to come back to the Chinese government, suggesting that he should be the Finance Minister in place of Kung. This attempt failed because of Chiang’s mistrust of Soong. Instead, following the
outbreak of the European war, Chiang asked Soong to go abroad to lobby for foreign aid. Rajchman also urged Soong to go abroad. At the same time, he urged Chiang to strive for active pressures on Washington for economic and military aid. In mid-October, with no official task of mission on behalf of Chongqing, Rajchman set sail for America as a lobbyist on behalf of Poland and China. See Balinska, *For the Good of Humanity*, 133-40.


In June 1940, T. V. Soong came to Washington with a mission to achieve a *de facto* alliance between China and the United States, hoping that the European situation would force Washington to turn its policy toward an active engagement in East Asia. Like K. P. Chen, who had been in Washington on behalf of China’s financial interests, Soong had no official diplomatic title for his mission until after the Japanese attack on Pearl Harbor. Unlike Chen, however, Soong did not remain under Morgenthau’s auspices nor confine his mission to financial issues. He directly lobbied the President and various advisors around him. He succeeded in achieving a major financial agreement for U.S. aid to China and in fostering China’s alignment with the U.S. by early 1941. Yet, he had to struggle against the relative indifference and the low priority that Washington assigned China throughout the latter half of 1940.

**T. V. Soong’s Mission to Washington and American Reactions**

By mid-1940, world events had encouraged Chinese leaders to hope for a *de facto* Sino-American alliance against Japan. As the 1911 Commercial and Navigation Treaty between the United States and Japan had officially expired on January 26, steps to implement U.S. economic sanctions against Japan were expected. In the spring, the German advance in Western Europe made likely Japan’s more aggressive “southward” advance. This led the Chinese to a heightened expectation that Washington would soon reward China for her role as strategic buffer against Japan’s advance into the British, French, and Dutch possessions in Asia. The quick collapse of
the French resistance to German advances in June made all such prospects more real. By this time, the U.S. State Department had to consider how to respond to Japan’s southward expansion, since tolerating her expansion beyond China meant giving up the West’s domains in Asia. Such a development would upset the whole balance of power in the Asia-Pacific region. In May, the U.S. Pacific fleet in Hawaii was reinforced. At about the same time, Congress endorsed a $1.3 billion military appropriation.¹ In late June, Henry Stimson and Frank Knox, both Republican hardliners, became Secretaries of War and the Navy to strengthen war preparations on a bipartisan basis.

In China, in the face of Japan’s threats to close the outlets of China, the need to maintain transportation routes between China’s interior and the outside world became ever more urgent. Related to this need were China’s efforts to stop the drain of dollar reserves and to curb inflation by obtaining cash loans from Washington. European conditions were forcing the Chinese to rely more than ever on America. Although the GMD’s Ministry of Finance had secured a U.S. loan of $20 million against Chinese tin through the Bank of China in early 1940, that loan was to be used for UTC’s purchases of “non-military” goods in the United States. Such commercial loans were helpful, but Chongqing aimed at a substantial cash loan to stabilize its currency. According to Arthur Young, it was Morgenthau, not Hull or Hornbeck, who rebuffed China’s requests for such loans, because, with the exception of K. P. Chen, he lacked full confidence in Chinese leaders.² Actually, Young appealed for such a loan to the State Department through Ambassador Johnson who informed Hull of his “personal belief that situation justifies assistance [to China].”³ In late May, Chiang appealed to Roosevelt for a currency stabilization loan, and, in early June, the President instructed Hull to consider it. By then, State had contemplated five options for aid to
China: 1) Treasury’s currency stabilization loan; 2) purchases of additional strategic materials from China; 3) additional EIB loans; 4) a loan for China’s reconstruction; 5) the freezing of Chinese assets in the United States. Nevertheless, State officials recommended none of these.

On June 15, Soong, accompanied by Young, left for Washington to negotiate further American financial aid, though his mission was at China’s initiative. Soong’s mission, of course, was not only to lobby for a U.S. currency stabilization loan but also to represent China’s foreign policy at large. Thus, almost all of China’s major political and military proposals to Roosevelt, Hull, Stimson, and Morgenthau were to be made or directed through him. Yet, Soong, like Chen in 1938, came to Washington as a banker who held no official diplomatic title. Technically, he was simply to replace Chen as China’s financial representative in Washington.

The State Department’s internal correspondence reveals that it decided not to welcome Soong in any formal manner. In a letter to Welles on June 28, Hornbeck unequivocally warned of Soong’s mission: “It is not advisable that T. V. Soong be invited or be permitted to come to this country to discuss the matter with the Secretary of the Treasury or any other high official or officials.” He advised this: 1) because Soong was “a world figure,” America should be prepared to make a definite position on China when negotiating with him; 2) because Soong was “a definite political character” and was supportive of “anti-Japanese policy in China,” any deal with him would affect Japanese-American relations adversely; 3) because Soong was looking for loans, America might be induced to accept Chinese suggestions for financial aid; 4) because there was a possibility of a secret deal or a “gentlemen’s agreement” between Soong and Morgenthau, Soong might jeopardize the “legitimate diplomatic procedures” of the U.S. government. In particular, Hornbeck warned that the Soong-Morgenthau connection could cause
troubles in Japanese-American relations and put Sino-American relations on “a somewhat uncertain basis.”

However, neither did Morgenthau welcome Soong. Upon arrival, Soong had his first talk with Morgenthau on June 28. In this meeting, he did not make specific requests for financial aid but answered Morgenthau’s inquiries about the Burma Road and Sino-Soviet relations. Soong explained to Morgenthau that his mission was to discuss with American officials the future of Sino-American relations in view of the changing European situation. In a memorandum to Roosevelt on July 1, however, Morgenthau showed his mistrust of Soong: “It is not certain whether T. V. Soong is completely in sympathy with continued resistance to Japan. In any case, Soong is hardly to be regarded with the same confidence as K. P. Chen who had just returned to China.” Morgenthau also pointed out that “a stabilization loan to China is beyond the legitimate scope of our Stabilization Fund operation.” He added that China’s financial urgency was deliberately exaggerated by Chinese financiers and that the Chinese yuan could be maintained in stability only if “the United States is ready to lose $25 or $100 million in the course of a year or two.” He did not rule out financial aid to China but held doubts about cash loans. Years later, Young found Morgenthau’s suspicion of Soong in this memo to be a “wholly unjustified slur.” Characteristically, Morgenthau wanted to keep the issue of China under his own direction and suspected proposals originating outside his domain.

On July 3, however, after a talk with Roosevelt, Soong was encouraged by the President’s usually positive remarks. On July 9, Soong informed Morgenthau that he had suggested to the President three types of American loans: 1) a U.S. loan to China through the Soviet Union; 2) a loan for the improvement of the Burma Road; 3) a stabilization loan to the Bank of China. The
Treasury Secretary was supportive of the first option in which America would purchase strategic materials from the Soviet Union with an advanced payment and Moscow would provide a loan to China out of the American payment. China would then use those funds to purchase American war materials. According to Harry White’s memorandum to Morgenthau on July 15, this triangular transaction would not only help finance China’s war but also serve as “a convenient opening wedge” for improving relations with Russia, a possible ally for America.\textsuperscript{10} White also prepared a memorandum to the President about Soong’s requests for financial aid. According to this memo, Soong had asked for three separate loans totaling $140 million: 1) $50 million for currency support; 2) $70 million for purchases of war materials, particularly airplanes; 3) $20 million for the improvement of the Burma Road. Yet, White pointed out that it was too early to discuss the U.S. stabilization loan to China. Instead, Treasury favored the triangular transaction that would bring immediate commercial and diplomatic benefits to America.\textsuperscript{11}

Both the State and Treasury Departments actually transferred Soong’s requests for financial aid to Jones, because their immediate concern in East Asia was how to deal with Japanese pressures on Britain and France. In principle, Hornbeck did not object to a stabilization loan to China but, as usual, viewed any aid to China in geopolitical perspective. Since May, Hornbeck had warned that Japan would interpret America’s continuous inaction in East Asia as a “go” signal to conquer Southeast Asia in collaboration with Germany. Also, he warned that such inaction would encourage a Japanese-Soviet rapprochement. In this context, he saw the merit of keeping China at war with Japan. Yet, again, he advised that “we should at this time speak gently to Japan.”\textsuperscript{12} His worry was that “Chinese resistance might be soon brought to an end,” which would be followed by Japan’s “very extensive adventurings to the southward (Indochina,
Netherlands East Indies, Malay Peninsula, Siam, Burma, the Indian Ocean--and ultimately
Australia and New Zealand).” He feared that, as a result, “the strength of the Axis-powers group
would be greatly increased.” Yet, “as long as Chinese resistance to Japan continues, the Japanese
will be busy in the Far East, but that if Chinese resistance collapses the Japanese will become
free to give great assistance in a great variety of ways to Germany and Italy.”13 Despite these
feelings, he did not push Hull on the matter.

The British also urged Hull to act. Desperate in Europe and increasingly pressured by the
Japanese in Asia, the British thought that only U.S. intervention could save their colonial
possessions in Asia. Thus, they warned Washington that America’s inaction would drive China
to make peace with Japan or an alliance with the Soviet Union. In late June, the British asked the
State Department to put “pressure on Japan in order to maintain the status quo either by imposing
a full embargo or by the dispatch of ships to Singapore” or to “wean Japan from aggression by a
concrete offer to negotiate a new agreed settlement of the Far Eastern situation.”14 Hull, however,
promptly rejected the British proposals.15 The British Ambassador then informed Welles that his
government was willing to “make every effort to persuade the Japanese and Chinese
Governments to agree upon terms of some reasonable peace.” The British also said that they
might “acquiesce in the obtaining by Japan of territorial concessions [in China] which could be
held up to the Japanese army as a quid pro quo for its possible willingness to refrain from seizing
the Dutch East Indies or British colonies,” and they might “agree to the seizure by Japan of
French Indo-China.”16 As usual, the British wanted to induce America’s intervention by
disseminating such opinions.

In fact, the British negotiated with the Japanese on the closure of the Burma Road,
willingly sacrificing China in return for a temporary status quo in South Asia. In his talk with Hull on July 2, Soong urged the Secretary to cooperate with the British and ask them to keep the Burma Road open against Japanese pressures. As usual, Hull made no commitments. On July 5, American Ambassador to Britain Joseph Kennedy informed Hull that the British would agree to withdraw their troops from Shanghai, Tianjin, and Beiping in return for a Japanese pledge not to violate British commercial interests in China. On July 18, yielding to Japanese pressures, the British closed all the traffic over the Burma-China border for three months. This was a severe blow to Chongqing. Yet, the main concern in Washington was how to dissuade Japan from humiliating the Western powers. Because London had made huge concessions to Tokyo, Washington felt it necessary to take action against Tokyo on behalf of the Western powers. Their option was to impose trade restrictions on exports to Japan. Financial aid to China was also considered as another tool. Yet, Soong made little progress in negotiating with American officials, because Japan’s pressure on Britain and France completely overshadowed the issue of aid to China.

The Chinese and their American friends tried to connect the closure of the Burma Road to their requests for American financial aid to China. On July 22, 115 Americans signed a petition to Roosevelt, calling for a $50 million relief loan for the Chinese Industrial Cooperatives (CIC), a wartime device in China to promote industrial production in the countryside. Publicized as a grass-roots effort for democracy, CIC was assisted by a group of Americans who formed an advisory committee of which journalist Edgar Snow and his wife were honorary members. Their petition argued that “the survival of China as a free and independent country” was “a strategic necessity” to maintain “a bastion of freedom in the Eastern world.” Because China was now cut
off from the rest of the world, a relief loan to CIC would serve America’s strategy to help China to survive. 19 In a letter to Hollington Tong on August 4, Soong expressed his frustration in Washington but hoped for the CIC loan: “I do not waste my time on things which have no chance of success . . . [But] I can state definitely that there exists a good possibility of getting substantial support for China in this way [through CIC] – despite all the pessimistic opinions of K. P. Chen and Buck and others.” 20 The relief loan was not provided. Instead, officials in Washington became increasingly preoccupied with the issue of economic sanctions against Japan.

A Bureaucratic Battle and Chinese Pressures: An Embargo and A Loan

In July 1940, the State and Treasury Departments began a year-long battle over administrative control of economic measures against Japan. This spirited bureaucratic competition was sparked by Morgenthau’s attempts to control the license system created by the National Defense Act of July 2, which gave the President the power to apply restrictions on the export of strategic materials to foreign countries considered essential to American national defense. The State Department refused to restrict exports to Japan after the expiration of the Commercial Treaty with Japan in January. Harry Price of the Price Committee felt betrayed by this refusal and feared that State might obstruct Congressional bills for the actual embargo measures targeted against Japan. Actually, Congress passed the National Defense Act, primarily in response to Nazi expansion in Europe. But the law could be used to restrict the export of war materials to any country on the grounds of national defense. This stance, originally inserted by the U.S. Army, was backed by the Price Committee. 21 Hull agreed to support the passage of the Act on the condition that it was not to be used against Japan as political pressure. Afraid that
Hull would obstruct embargo measures otherwise, the Price Committee agreed to support the legislation, though it was not fully satisfied with it. To Hull and other State officials, however, the Act was not intended to impose sanctions against Japan but to build domestic stockpiles in preparation for the worst case scenario in Europe.

Within the State Department, many officials dismissed the importance of Asia after the war broke out in Europe. These “Europe-firsters” sought a compromise with Japan, hoping to transfer American forces from the Pacific to the Atlantic. The Far Eastern Division maintained that such a policy might be unnecessary in view of Japan’s move toward the German bloc. Yet, because they wanted to delay a total break with Japan, their tentative policy was to implement partial embargoes on exports to Japan on a case-by-case basis, as Hornbeck had suggested earlier. However, no one at State, including Hornbeck, was yet willing to urge actions which might risk a serious confrontation with Japan. Their position was to prepare for retaliation but to stick to the moral embargo until Japan’s provocation became irreversible. They embargoed the exports of airplanes, gasoline and materials essential to airplane manufacture to nations bombing civilians. Japan and the Soviet Union both fit the definition. However, State refused to extend embargoes on such materials as molybdenum, nickel, tungsten, vanadium, machine tools, and oils that were quite beneficial for Japan. In particular, restrictions of oil exports to Japan were considered quite risky. In early June, Hamilton warned that an oil embargo would “impel Japan toward moving into the Dutch East Indies.” Thus, he strongly recommended that “no restrictions be placed at this time on exportation of petroleum products [to Japan].”

Morgenthau, however, was a different matter. His effort to apply economic sanctions against “aggressor” nations was a long story. He shared with other pro-sanctionists a view that
State’s timid policies had actually encouraged aggression in Europe and Asia. Yet, unlike Stimson and others, he insisted on sanctions he initiated, not those coordinated with pro-Chinese forces. In June and July, circumstances seemed to encourage him to act. The British were calling for embargoes against Japan. Stimson, the new Secretary of War, had been advocating economic sanctions against Japan on behalf of the Price Committee. With the National Defense Act in place, Morgenthau began attempting to take over the complicated bureaucratic process of embargo measures the legislation had created. The National Defense Act created the Export Control Office (ECO) and the National Defense Advisory Commission (NDAC). The former, under Lieutenant Colonel Russell Maxwell, was to issue export licenses in consultation with the State Department. The latter, staffed by business people, was to study domestic needs for strategic materials and recommend items to the ECO. However, the NDAC was neither systematically coordinated with nor under the State Department’s jurisdiction.26 Thus, there was a loophole in the system by which Morgenthau could advance his embargo plan without State’s approval.

Initially, Morgenthau lost to Hull over the license system, because Roosevelt allowed the ECO to decide what export materials to license but in consultation with the Division of Controls under Joseph Green and Charles Yost of the State Department. State regarded the National Defense Act as a law limited to domestic needs of stockpiling and separated it from the embargo issue that it had pursued on the basis of “moral” grounds.27 Hornbeck, however, was willing to move toward actual embargoes “under the aegis of the Defense Act,” because, if the British yielded to Japanese pressures, that “diminishes China’s capacity to resist . . .”28 For his part, he also admitted that exports of high octane gasoline could be restricted as strategic materials.
Morgenthau rejected such logic and regarded most war materials as potential strategic materials subject to the license system. He had persuaded other officials to approve his plan for embargoes on machine tools, scrap iron, steel, oil and other key materials. In the administration, Stimson, Knox, Interior Secretary Harold Ickes, the advisor to the President Lauchlin Currie, and Leon Henderson of the Price Stabilization Division of the NDAC supported export controls to enforce embargoes. Morgenthau attempted to circumvent Hull when Hull left for an international conference in Peru, as he had once done for the tung oil loan negotiation in late 1938. On July 18, Morgenthau also discussed with the British Ambassador, Stimson, and Knox a plan by which the U.S. would impose a total embargo on oil exports to Japan and Germany, while Britain would destroy the oil wells in the East Indies to make them useless for the Japanese.

The following day, Morgenthau forwarded his plan at a cabinet meeting. Welles, now Acting Secretary of State, vigorously opposed that plan, especially the oil embargo, insisting it would provoke Japan to invade the East Indies. Morgenthau retorted that State had made the same argument after the tung oil loan agreement in December 1938, and yet no Japanese invasion had occurred thereafter. Days after this confrontation, Morgenthau persuaded Ickes to help him by submitting a report on domestic oil shortages to Roosevelt. Because Hull was abroad, Morgenthau planned to implement an embargo against Japan by skipping over the State Department. He asked Edward Stettinius, head of the Industrial Materials Division of the NDAC, to provide a draft for an oil and scrap iron embargo. Then, on July 25, he forwarded that draft to Roosevelt at Hyde Park. It included nearly all types of scrap iron and oil. Assuming that State had approved it, the President signed and sent it to Welles to be formalized. Alarmed by its content, Welles redrafted the order by confining the embargo to gasoline above 87 octane,
airplane motor oil, tetraethyl lead, and high-grade scrap iron and steel, but excluding crude oil, petroleum, and scrap iron. State officials insisted that Morgenthau’s draft could not be administered properly, and Morgenthau insisted that Treasury would take over the licensing system. Morgenthau and Welles again confronted each other in a cabinet meeting. Yet, Roosevelt was unwilling to support Morgenthau’s plan.

Once he had returned to Washington, Hull was increasingly pressured to act. Since July, Japan had forced Britain to close the Burma Road and to withdraw its troops from Shanghai, a symbol of the Western presence in China. Although urged by some to approve the sending of U.S. marines to Shanghai to replace the British, Hull refused. Frustrated by Hull’s passivity, even Hornbeck began to lament that America had no policy toward East Asia. Now, Hornbeck became the strongest advocate within State for economic measures against Japan, though he would not push Japan to the extent of provoking her. Aware that the new Konoye cabinet might, in cooperation with Germany, accelerate its “southward” advance, he favored an extended embargo on scrap iron and oil against Japan to warn Tokyo. In the same context, he was also willing to support financial aid to China. Morgenthau and Ickes, backed by Stimson and Knox, condemned Hull’s policy altogether. Ickes wrote in his memoir that he had been “pleading with the President to embargo the shipment of both petroleum products and scrap iron to Japan” for two years. However, Welles, Hamilton, and Grew still backed Hull’s policy, seeking to avoid any offensive posture toward Japan. More importantly, Roosevelt retained his confidence in Hull by this time.

Meanwhile, Chongqing began to exploit Washington’s position by issuing veiled threats that it might make peace with Tokyo unless Washington pledged further aid. On July 24, Johnson
warned Hull that Chinese leaders were contemplating peace with Japan and aligning themselves with the German bloc. He also warned that, because the Soviet Union faced no immediate threat in Europe, Sino-Soviet relations would be strengthened at the expense of Sino-Western relations. He felt that the U.S. needed to keep Chiang at war with Japan by assuring him of U.S. aid. What worried Johnson in particular were the rumors of secret “peace talks” between the Chinese and Japanese.\(^3\) Since November 1939, Chiang had actually managed a series of trick negotiations with the Japanese for a Sino-Japanese peace. Chinese secret agents, disguised as T. L. Soong and GMD military officers, conducted secret negotiations with Japanese agents. The Japanese negotiators knew that, to settle the “China Incident” and achieve their “New Order,” they had no better alternative than making a peace with Chiang. For Chiang, peace talks with Tokyo could be used as diplomatic leverage \textit{vis-a-vis} the Anglo-American powers. In September 1940, the Japanese concluded that Chiang had deceived them.\(^3\) The story of the secret talks with Japan passed through McHugh and other Americans around him to Johnson.

Chinese pressures seemed to work. When Soong discussed with Hornbeck his proposals for U.S. loans to China on August 15, Hornbeck showed an unusual willingness to help and even arranged a meeting with Morgenthau which he attended. But Soong received no positive answer from Morgenthau. Instead, Morgenthau, obsessed with the embargo issue, discussed with Hornbeck the possible imposition of oil embargoes. Interestingly, Hornbeck now agreed with Morgenthau that oil embargoes would not necessarily lead to Japan’s seizure of the Dutch East Indies.\(^3\) To Soong, Hornbeck suggested that he discuss the matter with Jones before seeking to persuade Morgenthau.\(^3\) In Hornbeck’s view, a pro-Chinese U.S. gesture would create the same effect as a diplomatic warning against Japan not to move into South Asia. To Morgenthau, who
doggedly pursued a drastic policy to bankrupt Japan financially, such financial aid to China was irrelevant to the question of American policy toward Japan itself.

In his subsequent discussions with Jones, Soong found that only a $5 million loan to China was available. Meanwhile, after successfully forcing London to close the China-Burma border and Hong Kong over Chongqing’s opposition, Tokyo began to press the Vichy government to close the China-Indochina border and prevent the flow of supplies to Chongqing. At the same time, Tokyo demanded Vichy that France allow the stationing of Japanese forces in northern Indochina. On August 30, Vichy yielded to Tokyo’s demands.39 To induce aid from Washington at this opportune time, Chiang suggested to Roosevelt and Morgenthau on September 5 that he could lease Hainan island as well as Formosa to the U.S. for 99 years and assure a complete U.S. economic monopoly in China in return for full-scale U.S. aid to China.40 Though bizarre, this proposal seemed to impress Roosevelt. On September 13, Assistant Secretary of State Adolph Berle informed Morgenthau that the President had approved a $20 million loan for China. Hull reluctantly approved the loan.41

Hull’s approval, however, was not due to Chinese pressures and did not especially please his rival, Morgenthau. On September 20, Hull informed Morgenthau that “the Japs” had decided to make a military alliance with Germany and therefore he was willing to approve a loan to “the Chinamen.”42 Hull wanted two actions simultaneously - embargoes on exports to Japan and a loan to China. It was also his reaction to the fact that Japan had already sent her 6,000 troops to northern French Indochina. Yet, Morgenthau never liked Hull’s way of handling:

My own opinion is that the time to put the pressure on Japan was before she went into Indo-China and not after and I think it’s too late and I think the Japanese and the rest of the dictators are just going to laugh at us. The time to have done it was
months ago and then maybe Japan would have stopped, looked and listened. Morgenthau complained to Leon Henderson, saying that “it was months ago . . . when everybody wanted to do it, but what the hell is the use of doing it now [?]” He said that State officials would do nothing on oil until after the Japanese walked into the Dutch East Indies. In any event, on September 25, Washington announced an EIB loan of $25 million to China. This loan was given to the Central Bank of China, and secured by exports of Chinese tungsten in return for China’s non-military purchases as the previous tung oil and tin loans. On behalf of UTC, Lochhead and Ren wanted Morgenthau to insure that “the new transaction be made through the Universal, as preceding ones have been made.” On September 26, one day before Japan’s formal participation in the Axis alliance, Roosevelt approved the embargo on exports of all kinds of steel and scrap iron except to Britain and the Western Hemisphere nations. Again, Washington acted in response to Japan’s strategic moves, not for the sake of China.

Hull’s approval of the embargo on scrap and steel did not mean that he had abandoned his policy of avoiding friction with Japan. He continued to discourage or delay the imposition of restrictions on export materials to Japan. Thus, the embargo on scrap iron and steel was slowly implemented and had no serious effect on Japan’s war capacity. It even failed to give a clear message of warning to the Japanese government. Rather, Tokyo assumed that the U.S. would continue a policy to avoid confrontation with Japan in favor of its “Europe-first” policy. Hull remained at the center of this policy of inaction. Like Morgenthau, Harold Ickes viewed Hull in negative terms as he noted in a September 28 diary entry:

But, as usual, Hull did not want to do anything. He wouldn’t consent to an embargo on scrap until Japan had actually invaded Indochina and, as Henry [Morgenthau] and I agreed after Cabinet meeting, he won’t agree to an embargo
on gasoline until after Japan has taken the Dutch East Indies. How the President
can put up with the State Department I do not understand. I do not doubt Hull’s
sincerity but the fellow just can’t think straight and he is totally lacking in
imagination. He makes no move until his hand is forced and then it is too late to
be effective. If we had embargoed scrap and petroleum products two or three years
ago, Japan would not be in the position that it is, and our position, relative to
Japan, as well as that of England, would be infinitely stronger.  

Indeed, Hull succeeded in delaying the gasoline embargo nearly another year.

During the 1940 presidential election, Hull indicated to Roosevelt that he would resign
unless the President assured him of his authority on foreign policy against pressures from those
like Morgenthau. Hull increasingly felt threatened by such outside challenges in 1940. Yet,
Morgenthau’s attitude was not without justification. A late-November report to Morgenthau
revealed that, though the export of scrap iron had been stopped after October 26, the U.S. had
“exported 375,000 barrels of gasoline to Japan -- all of it high octane and licensed under export
control” in November alone, “equivalent to more than one-third of our total 1939 shipments of
gasoline (all types) to Japan.” American exports of crude oil to Japan during the same one month
period reached almost one million barrels. Indeed, oil exports to Japan rather increased after late
July: “Total gasoline shipments since the President’s Proclamation of July 26 have amounted to
1.6 million barrels -- compared to 1.2 million barrels in the whole year 1939.” To Morgenthau,
State’s policy of export controls was not an embargo designed to affect Japan’s economic and
military capacity. It was merely a timid diplomatic response. His favorite plan for the U.S.-
Soviet-China triangular transaction was also dissipated by late September when the Soviet
Ambassador informed him that the Soviets opposed the idea.
China’s Strategic Proposals and American Political Loans to China

In October 1940, Claire Chennault and General P. T. Mow of the Chinese air force left for Washington to join Soong’s lobbying activities. Their mission was to purchase the latest U.S. fighter planes and obtain China’s use of American pilots in the war against Japan. Together with the tungsten loan announcement, expectations for the resumption of the traffic over the Burma Road encouraged the Chinese and their American friends to step up their lobbying activities in America. The traffic in American materials over the Burma Road was supposed to resume after October 18, the date the British planned to lift the three-month closure of the Burma Road. And Chiang was ready to propose an open military alliance between China and the Anglo-American powers. Johnson reported to Hull that China “is less receptive to peace overtures now than at any time since the commencement of hostilities.”51 In Johnson’s analysis, although Chiang continued to complain that the Americans and British regarded China as “semi-colonial power,” he and his aides firmly believed in the eventual clash between America and Japan. Afraid that it would come too late, Chiang wanted Washington to accept China publicly as a partner.52 On October 18, the day the British lifted the three-month closure of the Burma Road, Chiang explained to Johnson his plan for Sino-Anglo-American military cooperation:

Splendid air bases are possessed in Chekiang Province from which American planes could be utilized to attack Japanese naval bases in Japan and Formosa. China will be able to diminish Japanese naval strength materially if she can obtain from America one-twentieth or one-tenth of the planes Britain is now receiving from the United States. For America the supplying to China of planes and volunteers is a desirable alternative to war with Japan.53

Chiang wanted 500 airplanes within three months and an additional 500 in a year, all would be flown by American volunteers. Johnson informed Hull that America’s negative response to these
pleas would “force them [Chinese] to choose between the Japanese and Communism.” Thus, he wrote that Chiang’s statements “should receive the most serious consideration coming as they do from the head of a Government that has nowhere to look now for help except to us.”

Hull’s response was predictable. He emphasized that America had already given sufficient material aid and moral support to China. Again, he stressed that “it is a traditional policy of the United States, except when this country is at war, to avoid entering into alliances or entangling commitments, although we believe in cooperative effort with other countries by peaceful and practical means in support of the principles to which this country is committed.” Accordingly, Hull did not rule out further consultations with the Chinese. At Hornbeck’s suggestion, Joseph Green, Chief of State’s Controls Division, discussed China’s requests for airplanes with Hu Shih who claimed that China’s special representatives “knew more about the business of purchasing planes than he did.” Green suggested to Hu that the Chinese talk to Philip Young, Assistant to the Secretary of the Treasury and Chairman of the President’s Liaison Committee, about purchasing airplanes immediately. In early November, Soong began such negotiations. Despite reservations, the State Department could not flatly rebuff Chiang’s request for airplanes.

Now Chiang began to reveal his detailed plan for Sino-Anglo-American cooperation to Washington through Foreign Minister Wang Chung-hui. According to his plan, the three countries would issue a joint declaration, stating their agreements to maintain the Open Door principles of the Nine-Power-Treaty, oppose Japan’s “New Order,” and support a free and independent China. America and Britain would provide China with loans up to $300 million and 500-1,000 airplanes within a year, and they would dispatch economic and military missions to
the Chinese government. Again, the Chinese emphasized that in the event of war between the Anglo-American powers and Japan, all of China’s military forces “will be placed at the disposal of the allied forces.”57 In Washington, Roosevelt was ready to pursue a bold program to aid Britain, known as the Lend-Lease, after the election. The Chinese wanted to take advantages of such mood.

Meanwhile, Chiang continued pressing Washington by suggesting that he might make a peace with Tokyo. Japan had been trying to turn Chiang to its peace terms via German pressures. On November 15, Germany notified Chongqing that it would recognize the pro-Japanese Wang Jing-wei regime in China unless Chongqing responded favorably to Tokyo’s peace overtures. Indeed, it was Tokyo which was increasingly desperate in dealing with Chiang, especially after Washington’s announcement of the scrap iron embargoes. Tokyo’s peace terms now became more generous, as its Foreign Minister Yosuke Matsuoka toyed with the idea of withdrawing all Japanese troops from Chinese territory, except for Manchuria. Indeed, the Konoye cabinet had delayed the formal treaty between Japan and Wang, because it preferred a political compromise with Chiang.58 To press Washington’s aid to China, Chiang again suggested to Johnson that China’s resistance to Japan would soon collapse. For a short-term goal, Chiang wanted at least to secure more airplanes.

Officially, the State Department still maintained that “it is a traditional policy of the United States to avoid entering into alliances or entangling commitments.”59 But State was now willing at least to make a gesture to help provide airplanes for China to avoid disappointing Chiang. Soong again visited Hull to press for airplanes and financial aid on November 26, but Hull made no commitments.60 Still, Soong delivered Chiang’s letter to Roosevelt through Hull.
In this letter, Chiang claimed that “an air force of say 500 planes will certainly contain an enemy air force of four times their number” and it would be “a most effective deterrent to Japanese designs on Singapore and Dutch East Indies.” Chiang asked for “200 modern bombers and 300 pursuits” which would be operated from 136 airfields in unoccupied Chinese territory, several of these airfields were within 650 miles of Japan. His point was that “it will be possible to take a decision as to the advisability of carrying the air war into Japan proper.” Chiang also approached the British. The British were willing to discuss Chiang’s plan to cooperate with the U.S. in using air power against Japan, though they did not yet expect “a full-blown alliance.” Predictably, however, London declined to provide financial aid to China by saying that it had its own financial difficulties.

In any event, the Chinese pressure seemed to work this time. Roosevelt ordered his staff to prepare a loan for China on November 21. On November 27, Johnson strongly urged Hull to endorse aid to China, explaining China’s military and economic difficulties. In Tokyo, Matsuoka now gave up the plan for a peace with Chiang. On November 28, the Japanese government decided to sign a formal treaty with Wang Jing-wei within two days. On November 29, in Washington, Roosevelt instructed Morgenthau and Jones “in strictest confidence” that each make a loan of $50 million to China respectively within 24 hours. A $50 million was to be made by Morgenthau as a currency stabilization loan and another $50 million was to be made by Jones as a purchase loan. The next day, the Japanese government signed a formal diplomatic treaty with Wang Jing-wei in Nanjing. In Washington, Soong was explaining to Morgenthau that the $50 million purchasing loan would be used for the purchase of airplanes. Welles gave a call to Morgenthau to explain the plan that the $50 million purchase loan was to be announced as an
EIB loan for the Metals Reserve Company’s purchase of strategic materials from China.\textsuperscript{67} The actual announcement of the loans did not mention this, only noting that a credit of $100 million was “contemplated” and $50 million would be used for “monetary protection and management.”\textsuperscript{68} A $50 million EIB loan was to be guaranteed by the Central Bank of China of which Soong was chairman.

Morgenthau and his staff knew that what the President wanted with the announcement of $100 million loans to China was a “public effect” on both China and Japan. Yet, what still worried them was how to explain the $50 million stabilization loan to China before Congress.\textsuperscript{69} On December 1, the day before he was to testify before Congress, Morgenthau told Soong that he was doing “something that I refused to do consistently” and his explanation of the loan “before these committees tomorrow is not a pleasant experience.”\textsuperscript{70} Although the Senate and House Monetary Committees soon accepted it, many Congressmen were surprised that the Treasury would provide such a political loan to China against Japan.\textsuperscript{71} On December 10, the British government took parallel action, announcing a loan of $10 million pounds for China, half for stabilization. The rather quick decision for the $100 million loan for China was, again, a warning against Japan’s expansionist movements rather than a measure for China’s sake. Thus, the actual loan agreement was only slowly materialized.\textsuperscript{72}

**Morgenthau and Soong for a Sino-American Air Strategy**

It is interesting to see the pattern of administrative rivalry in which State and Treasury wanted each other to aid China in its own responsibility. Morgenthau was eager to do what State officials were ultimately responsible for and therefore unwilling to risk. His support for China’s
proposed Sino-Anglo-American military strategy was such a case. Such a strategic proposal had sensitive diplomatic nuances. Yet, it was Morgenthau who endorsed it most enthusiastically. He attempted to implement the Chinese plan in his own way, though the issue was not within his jurisdiction. Soong, however, attempted to cultivate an intimate relationship with Morgenthau on this occasion to secure even greater support for other Chinese programs.

Morgenthau was eager to help the Chinese obtain airplanes. Because any Chinese airplanes were to be taken from those reserved for the British, Morgenthau sought the British Ambassador’s support. Ambassador Lord Lothian, however, dismissed the Chinese plan and told Morgenthau that the Chinese would fear Japanese retaliation if they attacked Japan. Actually, Lothian did not want to release any airplanes for the Chinese from the British share. On December 8, after having lunch at the White House together, Morgenthau privately informed Soong of the President’s keen interest in the Chinese plan to bomb Japan and asked whether the Chinese would fear Japanese retaliation. When Soong answered that the Chinese did not fear it at all, Morgenthau assured Soong that he would push the matter. Characteristically, he wanted to keep this plan under his exclusive and personal capacity, asking Soong to relay his message “to General Chiang Kai-shek and to nobody else in Washington.” Morganthau himself was convinced that “overnight it [Chiang’s plan] would change the whole picture in the Far East.”

To cultivate his intimacy with Morgenthau, Soong promised to provide him with exclusive information about the Chinese plans to bomb Japan.

Two days later, Morgenthau talked with Hull about these plans. Surprisingly, Hull expressed his support, which left Morgenthau “speechless.” Morgenthau told Hull about his talk with Soong. While wondering why Hull now supported China’s plan, Morgenthau assumed that
the Secretary did not know much about it. In fact, Hull was well aware of the details. On December 4, State had informed the Chinese embassy that, though it could not accept an open military alliance with China, it was willing to issue passports to Americans to work in China as “aviation instructors.” Chiang sent letters to Roosevelt and Morgenthau to press for a quick decision on releasing bombers to China. In a letter of December 16, he informed Morgenthau that the Chinese had learned of an Axis plan to take over Singapore in the coming spring and emphasized that “it is necessary for us to carry the war into Japan proper.” Chiang asked Morgenthau to persuade Roosevelt to make a decision on his request for bombers. In an effort to influence Morgenthau, Soong left a secret map showing airfields in China as well as a detailed memorandum on the plan to attack Japan at Morgenthau’s house. Morgenthau quickly brought Chiang’s secret message to Roosevelt. When Morgenthau answered positively to his usual question of Chiang’s willingness to continue to fight, Roosevelt said: “That’s what I have been talking about for four years.”

On December 19, Morgenthau presented the Chinese plan at a cabinet meeting, and the President urged Morgenthau, Hull, Stimson, and Knox to discuss the plan further. Morgenthau found that everybody favored it. Morgenthau’s enthusiasm was propelled by his increasing influence in procuring American weapons for foreign countries. His phone conversation with Knox on December 20 reveals that his eagerness to procure airplanes extended beyond the British and Chinese and included the Greeks and South Americans. On December 21, at his house, Morgenthau conferred with Soong, Chennault, and Mow about detailed measures for bombing Japan: types of bombers and bombs, operational tactics, the use of air bases in the Philippines, the number of pursuit ships, the recruitment of American manpower, and
communications. Morgenthau told them that the Army would release enough manpower at a salary of $1,000 per month to help China. Also, he suggested the use of incendiary bombs because “the Japanese cities were all made of just wood and paper.” He even suggested putting “our radio transmitters on Chinese junks in order to get adequate [weather] data.”

It was Secretary of the Treasury, not of State or War, who explored these detailed war plans against Japan with foreign representatives in a secret manner.

The next day, Morgenthau discussed the matter with Stimson, Knox, and General George Marshall at Stimson’s house. In this meeting, Morgenthau learned that Marshall, the Army Chief of Staff, had talked twice with Soong, Chennault, and Mow. A staunch Europe-firster, Marshall opposed the Chinese plan. While opposing the release of bombers from the British for the Chinese, Marshall suggested a small number of pursuit planes for the Chinese. To forestall the release of long-range bombers for China, he suggested to Roosevelt a transfer of only one hundred P-40 fighter planes from the British to the Chinese. Roosevelt quickly approved Marshall’s decision. This decision obviously disappointed the Chinese as well as Morgenthau who sought to persuade the British who were unwilling to release even pursuit planes for Chinese use. By January 2, 1941, Morgenthau had pressed Arthur Purvis, a British purchasing agent, to approve the transfer of pursuit planes, at least 36 of them, for the Chinese within three weeks, by referring to Roosevelt’s approval. Also, he tried to persuade Marshall to press the British to concede nine bombers to the Chinese. Morgenthau told Soong and Young that they needed to consult with the British and the Curtiss-Wright Company, the producer of the airplanes, for the contract. In early January, the British agreed to release 100 pursuit fighters for the Chinese by March 1941. Later, some of these purchases became subject to Lend-Lease programs.
In fact, U.S. loans and materials given to China were far less than those to Britain and other European countries. During March 1941, licenses for the export of arms, ammunition, and war implements issued to Britain reached $98 million, $3 million-worth went to Greece, while only $1.2 million went to China. The license value issued to Britain alone during the first three months of 1941 was approximately $375 million.\(^8^4\) In February, moreover, Roosevelt made it clear in a press conference that even if the U.S. got into war with Japan, U.S. aid to Britain would not be hampered.\(^8^5\) In practice, U.S. aid to China was a low priority. According to Chennault, officials in Washington were not sympathetic to the Chinese at all during the negotiations. He recalled that he and Mow had undergone “a chilling and disheartening reception.”\(^8^6\) The War Department, especially Army generals, was willing to furnish only outmoded planes which were not suitable for military operations. Also, there was a business factor. In principle, the trade of key materials between China and the United States was supposed to be conducted by UTC under Treasury supervision. In the case of airplanes, however, private contractors like the Intercontinental Corporation monopolized the transactions.\(^8^7\) Thus, the Sino-American trade in war materials and military goods was complicated by official and private agents.

**T. V. Soong’s Lobbying Connections in the United States**

After he arrived in the United States, Soong contacted a wide variety of influential people in and out of the Roosevelt administration. During the first several months, Soong was frustrated by what he considered the indifferent attitudes of American officials. Yet, he continued to visit his American friends to ask for help. Soong had several sources for his lobbying efforts. Top officials in Washington, especially Morgenthau, Jones, and Stimson, were familiar with him
personally, and Soong sometimes invited them to his home in Chevy Chase where his wife prepared Chinese cuisine. Yet, since the State and Treasury Departments at first had transferred Soong’s request for financial aid to Jones, Soong cultivated that friendship, too. In his memoir, Jones commented on Soong’s wife and three daughters, who spoke perfect English, and recalled that these Chinese “would impress anyone as being fine people in every aspect.” Warren Pierson of the EIB became a friend of Soong’s as well. Former and current naval officials, like Harry Yarnell, Mark Bristol, and Thomas Hart were also familiar with Soong. Yarnell served such pro-Chinese agencies as the Price Committee and CIC. His wife also served as an honorary member of CIC. Through these people, Soong cultivated his ties with Frank Knox, Secretary of the Navy, and through Knox, Felix Frankfurter, one of the “Brains Trust” for Roosevelt, and Thomas G. Corcoran, Frankfurter’s disciple and Roosevelt’s favorite. Personally close to Roosevelt, Frankfurter was an Associate Justice of the Supreme Court and Corcoran, Frankfurter’s former student at Harvard, had been counsel to the RFC and a White House advisor.

It was Ludwik Rajchman who facilitated Soong’s lobbying activities behind the scenes. As a Polish lobbyist, he had been in and out of the United States since October 1939, working for U.S. relief aid to the Polish government-in-exile. But, at the same time, he lobbied for Franco-Anglo-American coordination to secure land routes over Indochina and Burma for the shipment of foreign aid to China. Shortly after his arrival in Washington, Soong asked Rajchman in France to join him. In July 1940, Rajchman came to Washington, ostensibly for a diplomatic mission seeking U.S. relief aid on behalf of the Polish government-in-exile in London. In September, however, the State Department began to pressure him to leave the United States on grounds that
his mission was not sufficiently explained by the Polish embassy in Washington. In practice, State closely watched Rajchman’s activities, including his associations with Soong and Soviet Ambassador Constantin Oumansky, and suspected him of seeking to induce an American intervention into foreign wars. Pressured by the State Department to leave, Rajchman sought help from Soong and other friends, including Edgar Ansel Mowrer, a powerful journalist at the Chicago Daily News, the company owned by Knox. On October 23, Soong wrote a letter to his friend William Bullitt, explaining that Rajchman “has been with me constantly and assisting me in making worth while contacts and it is surely to me a matter of surprise if such work is disapproved by the American authorities.” Soong asked Bullitt to “take up this matter [of Rajchman] with the proper authorities and have it definitely settled.” To save Rajchman from being expelled by the State Department, Soong suggested that he become “Adviser on Economic Relations” for the Bank of China in late November.

Although his motives were dubious in the eyes of the State Department, Rajchman’s lobbying network in America readily served Soong’s objectives. Because of his background and career, Rajchman was close to many Jewish intellectuals in America, including Frankfurter and others of Roosevelt’s “Brains Trust,” and was regarded as a most popular foreign intellectual among New Dealers. Through him, Soong could cultivate friendships with New Dealers previously unfamiliar to him. One of them, Corcoran, would serve Soong as lawyer and lobbyist after 1940. Another was Lauchlin B. Currie, White House administrative assistant to Roosevelt. Morgenthau, though Jewish, did not seem to have favorable impressions of Rajchman. Yet, Rajchman had facilitated Soong’s contact with Soviet Ambassador Oumansky with whom Morgenthau eagerly consulted over the triangular transaction among America, the Soviet Union,
and China during the summer of 1940. In addition, Rajchman consolidated Soong’s relationship with Mowrer and other powerful American journalists almost as important as his ties with top policymakers. Later, in a letter to C. C. Chen of the Chinese National Resources Commission, Soong wrote that, after he had arrived in Washington in June, Mowrer “proved a most helpful friend and introduced to me many influential friends both within and outside governmental circles and did more than anyone else to break the ice in securing aid for China.”

Joseph Alsop, a cousin of Roosevelt and a powerful newspaper columnist, was another valuable ally. Soong, as usual, provided Alsop with wonderful dinners and asked him to lobby for financial aid to China. Rajchman helped Soong build a relationship with Corcoran, Currie, and Alsop, all of whom would play major roles in engineering Soong’s Lend-Lease operation in 1941. Together with Young, Chennault, and Mow, Soong could frequently mobilize these individuals to lobby for U.S. aid to China.

In late January 1941, after accomplishing the contract for 100 pursuit fighters, Soong resumed his lobbying effort for the quick disposal of a $100 million loan for China, a loan that had been announced on November 30. The announcement of the loan was to counter Japan’s policies, but many Washington officials still doubted Chiang’s capacity to wage effective war against Japan. The State Department was particularly concerned about the resumption of Chiang’s struggle against the CCP, a conflict which could seriously undermine his war against Japan. Furthermore, afraid of Morgenthau’s secret deals with the Chinese, State attempted to monopolize cables from the U.S. embassy in China after November 1940. Morgenthau was furious: “It is the most outrageous piece of business I ever saw, that the State Department withholds these cables from me.” The more Morgenthau distrusted State, the more he relied on
Soong who often conveyed Chinese intelligence data to him. On January 31, 1941, Soong asked Morgenthau to freeze Chinese and Japanese assets in America in order to ease China’s currency controls, by showing him a telegram from Cyril Rogers in London which told of a British plan to freeze Chinese assets within the British Empire.\textsuperscript{101} The State Department, however, opposed Soong’s suggestion, not only because it feared Japanese retaliation but also because it was afraid that Treasury might deprive it of licensing power over all Japanese transactions.\textsuperscript{102}

Rajchman came to know the forthcoming Lend-Lease program as early as November 1940. Soong’s lobbying efforts for airplanes and additional financial aid were based on knowledge that Lend-Lease was in sight. Corcoran and Currie proved to be Soong’s most powerful informants of the White House. Both men actually helped Soong to establish China’s Lend-Lease agency in early 1941. Later, in December 1941, Corcoran had to testify before the Senate Defense Investigating Committee about his influence on five arms contracts between the U.S. government and foreign countries, including China, in return for about $100,000 commissions. In this testimony, Corcoran asserted that he was paid just $5,000 for his assistance for China’s arms contract, while admitting that he had helped the establishment of China’s Lend-Lease agency in the United States.\textsuperscript{103} It was his brother, David, who actually worked on behalf of China’s Lend-Lease agency in 1941. In fact, Soong retained the Corcoran brothers financially. Yet, it was Currie who managed China’s Lend-Lease aid under the President’s instructions in 1941. Currie, once a financial advisor to the Treasury Department and the Federal Reserve Board, was serving as a current White House advisor. Allied with Soong, Currie became a most trusted middle-man between Washington and Chongqing in 1941.
The Lauchlin Currie Mission to China, January - March, 1941

In late January, Roosevelt decided to dispatch Currie to China as a presidential emissary to satisfy Chiang. Ostensibly, his mission was to oversee the improvement of the Burma Road. In reality, his mission was to determine China’s eligibility for Lend-Lease aid. As he departed for China, Currie characterized his mission as one “to secure first-hand information on the general situation in China and to consult with the Chinese Government on matters pertaining to this situation.” Taking Currie’s mission as a definite shifting toward a Sino-American alliance, Soong explicitly declared that “whatever you Americans choose to call us, we feel ourselves your allies, holding your outer ramparts in the Pacific.”104 Indeed, though relatively unknown, the Currie mission proved to be crucial, because he conducted a comprehensive examination of China’s political, economic, and diplomatic possibilities as the first presidential envoy to China since the outbreak of Sino-Japanese hostilities in 1937. Not surprisingly, Currie enjoyed an extraordinarily warm and hospitable reception in China.

The first meeting between Currie and Chiang, attended by Johnson, McHugh, Tong, and Wang Chung-hui, was held on February 7. Currie’s first impression of Chiang was that he was “handsome and striking person.”105 Currie informed Chiang that Roosevelt’s foremost concern was the united front with the CCP against Japan. Chiang explained that the CCP, allied with the Soviet Union, sought to disrupt the united front, but he assured the American that he could check it easily. Currie stressed that Roosevelt was “solely concerned to keep the fighting against Japan going,” not to allocate blame. Yet, Chiang continued to blame the pro-communist propaganda for making Americans worry about China’s resistance.106 Currie actually suggested that many Americans were beginning to view Chinese communists favorably and asked Chiang to allow
him to meet with Zhou En-lai, who represented the CCP in Chongqing. This illustrates the fact that Roosevelt’s foremost concern about China was parallel with State’s. To protect Western interests in Asia while diverting an actual military confrontation with Japan, America needed to keep China at war against Japan by all means. Aid to Chiang depended on his ability to check Japan in cooperation with the CCP or other domestic forces in China. Chiang, of course, knew this and was willing to exploit American anxieties.

Chiang and Currie held a series of conferences during February. Referring to China’s inflation, Chiang blamed returned students from abroad and the communists for undermining faith in China’s currency and expressed his desire to solve the problem of inflation with foreign loans. On the other hand, Currie pointed out structural problems. He advised the Chinese to reduce expenditures and to impose land taxes to raise the revenue, ideas toward which Chiang and Kung were skeptical for political reasons. While admitting that China could not solve the problem of inflation by borrowing and printing alone, they feared that land taxes could be easily exploited by the communists. Currie also cautiously suggested that Chiang embrace liberal groups and clean out reactionary factions from his government. Chiang answered that he had pursued such policies, though he had not yet found satisfactory solutions. Currie saw it as a matter of will. In terms of concrete follow-up, Chiang asked Currie to have Roosevelt send two American advisors to consult on political and economic reforms. In particular, he requested Bullitt. Yet, Chiang and Currie agreed that, to overcome the communist problem, China needed to skip the stage of monopolistic capitalism and move directly toward that of “democratic socialism” in which state would run all big enterprises and peasants would own their lands. As a New Dealer, Currie suggested to Chiang that Roosevelt employed a “technique of making
adjustments rather than repression.” He thought that China could skip the stage that America was currently undergoing because she lacked accumulated private capital enough to challenge such a shift.\textsuperscript{107}

On the issue of international politics, Chiang and Currie agreed that the Soviet and German goals were irreconcilable. Chiang added that, though the Soviets would be expansionist in the near future, China wanted the U.S. to have closer relations with the Soviet Union. As expected, Currie mentioned the American fear that China would make peace with Japan and thus allow the Japanese to move southward. Chiang assured him that he would never agree to Japanese proposals but would stick with the Anglo-American powers. The Chinese leaders’ expectations for Currie’s mission were very high. In a letter to Soong on February 26, Kung wrote that “we have given him information, much of which is not even known to high officials except those directly concerned.”\textsuperscript{108} Kung also sent a flattering letter to Morgenthau, informing him that Currie would provide confidential reports to Roosevelt and him. He also promised that K. P. Chen, as Morgenthau wished, was to be appointed as chairman of the Chinese Stabilization Committee, which was supposed to oversee the scheduled $50 million loan for currency stabilization.\textsuperscript{109} Chiang’s letter to Soong also revealed his trust in Currie, in which he wrote that “when he returns to the United States he will surely prove to be of the greatest assistance to our cause.”\textsuperscript{110} Currie did return to Washington in early March.

Currie did not disappoint Chiang, because his confidential report to Roosevelt on March 15 recommended long-term measures corresponding with Chiang’s requests. In this report, Currie analyzed China’s problems and recommended constructive measures that would shape Sino-American relations for years to come. The immediate intent of his report was, of course,
that “China should continue an intensified campaign against Japan.” Yet, Currie also suggested a long-term plan in which “goodwill toward America be built up in China” and “we participate in China’s reconstruction after the war.” Currie recommended most of what Chiang had requested: 1) the freezing of Chinese assets in America; 2) the earliest possible conclusion of the $100 million loans; 3) long-range bombers and American pilots; 4) two American advisors to Chiang; 5) a joint Anglo-American economic mission to China; and 6) additional material aid and technicians. Also, Currie stressed the need to bolster Chiang’s image in America:

One of the most effective ways of encouraging China and deterring Japan would be to go out of our way in giving evidences of friendship, close collaboration and admiration for China. This can be done both overtly and through ‘inspired’ stories coming out of Washington. Since China is really a dictatorship, the character of Chiang Kai-shek himself is a prime desideratum in our foreign policy. I am convinced that his sentimental attachment and admiration for America and for you [Roosevelt] in particular could be greatly increased through care on our part to accord the same treatment to China as to Britain, and by more personal evidence of friendship from you. As I told you, he reads every word of your speeches and considers you the greatest man in the world.111

Currie’s point was that the Chinese had become America’s de facto allies, whether Americans wanted it or not, and deserved to be treated like the British. This meant that the U.S. needed to project admiring images of Chiang as America’s democratic ally. For America should “guide China in her development as a great power in the post-war period,” and Chiang’s China would be able to develop into “a truly democratic state” by adopting political and economic reforms.112 In practical terms, this public endorsement of China as a democratic member of the Anglo-American club would serve as a cost-saving method of keeping China at war with Japan. Unlike the State Department, the presidential envoy suggested a long-term policy to make China America’s long-term global partner. The day Currie submitted this report, Roosevelt made a
statement and specifically mentioned that “China shall have our help.”

In a *Life* magazine article of May 5, 1941, Eliot Janeway, an associate editor of *Time* magazine and a friend of Roosevelt, analyzed Roosevelt’s plan “to embody the democratic principles of the New Deal on a world scale” against the Axis through his personal envoys. Janeway took the Currie mission to China as such an example. Currie, as “the No. 1 New Deal economist,” sought not only to make China resist the Axis but also to guide China in domestic reforms similar to Roosevelt’s New Deal. He secured the first objective by bestowing on Chiang the title of “Roosevelt’s fellow-leader of democracy.” In return, Chiang agreed to “call off the civil war.” The other objective would be tested in the future. Currie would seek “to give China a budget,” while Chiang would conduct “a war for social justice.” This was to make Chiang’s government viable with the communists who might sway millions of Chinese peasants in the future. Yet, this Currie mission “was undertaken outside the State Department,” because State officials proved to be “decoys for the Axis” and Roosevelt was distrustful of them. By employing his personal envoys, Janeway argued, the President was firmly in control of U.S. foreign policy. Roosevelt would test Chiang’s ability as a would-be-democratic leader by bargaining American aid.

As a matter of fact, Currie assumed the role of middleman between Chiang and Roosevelt after his mission to China. Chiang had specifically asked him to use a private code system to keep messages between the Chongqing headquarters and the White House beyond regular diplomatic channels. Currie requested that Roosevelt approve the use of this private code in late April and secured such support from him and Hull in early May. He also maintained a separate communications line with McHugh in Chongqing through a naval radio channel. Meanwhile,
Currie began to work for China’s Lend-Lease share. Currie’s trip to China had originally been arranged by the Chinese. Although Currie was officially instructed by Roosevelt, all his expenses during the trip were paid by Soong in Washington. Soong also paid a generous salary to Currie for his mission to China. In Chongqing, Currie was lavishly entertained by his Chinese hosts, as many other American visitors to China had been before him. Shortly after his return to Washington, Currie actually became a lobbyist on behalf of Soong’s Lend-Lease agency for China.

An Appraisal of Soong’s Mission in Washington

Ernest Hauser’s article about T. V. Soong in *Life* magazine on March 24, 1941, assessed Soong’s achievements in Washington. According to Hauser, Soong succeeded in selling China to Roosevelt, much as the British had earlier made themselves acceptable to him. But Soong’s major achievement, the $100 million loan, indicated that China was still a minor issue to Roosevelt:

The President and Mr. Jones saw that Mr. Soong’s proposition was to sell the U.S. exactly the same commodity with respect to the Pacific as Britain had to offer in the Atlantic -- temporary security, time to prepare -- but for one-seventieth the British price. For $100,000,000, China promised to keep 1,125,000 Japanese troops pinned in the field; to keep Japan’s formidable Fleet blockading the China shore; to retard the aggressors’ march in the direction of immediate U.S. interests. The merchandise was fantastically cheap at the price.

Yet, “this apparently one-sided deal” was “downright political,” whereas the previous loans “had been given on a strictly pound-of-flesh basis.” In this case, China ceased her peace talks with Japan. Yet, even this one-sided deal might not have been made, had it not been negotiated by Soong whose American-style manner was backed by his extraordinary skill in English:
Soong likes to prove his mastery of English by snapping out wisecracks and puns so rapidly that people have trouble catching him. Throughout months of long-drawn-out meetings and complicated negotiations in Washington, Soong sometimes even managed to create the illusion that he was really not a foreigner at all. After attending a press conference held by Soong and Jones, who comes from Houston, Texas, one reporter who comes from New England said that he had considered asking Soong to act as interpreter for the Administrator for the Federal Loan Agency.118

In addition, Soong’s banking connections were important: “His subsidiaries in Singapore, Rangoon, London, New York and Batavia collect the solely needed pounds and dollars which enabled his country to go on fighting. The day T. V. stops collecting those pounds and dollars - and no one else seems able to collect them - Japan will triumph over Asia.” In this point of view, Soong was the top financier of China’s war against Japan. His most valuable asset, however, was his ability to convince Americans that “China’s place is on the side of the democracies of the West,” because “T. V., who once prevented China from falling prey to Soviet intrigues, spares no effort today to keep her from falling prey to the Axis, and T. V.’s person is still the greatest single asset behind China’s credit.”119 Yet, he had to accept American terms in 1940. Ironically, in 1941, Roosevelt and Hull began peace talks with the Japanese, and the Chinese protested. Still, Soong had formidable tasks to secure Washington’s full commitments to China.
Notes


6. Hornbeck to Welles, June 28, 1940, Hornbeck Papers, Box 103.

7. Soong’s memo, June 28, 1940, T. V. Soong Papers, Hoover Institution of War, Revolution, and Peace, Palo Alto, CA, Box 35; Treasury memo, June 28, 1940, Morgenthau Papers, Box 277: 148-C.

8. Morgenthau’s memorandum to Roosevelt, July 1, 1940, Morgenthau Papers, Box 278: 82-83.


10. White to Morgenthau, July 15, 1940, Morgenthau Papers, Box 282: 533.

11. Roosevelt once told Morgenthau that he wanted China to continue to play with Russia and thus keep Russia and Japan apart. See Morgenthau’s memo, December 19, 1939, *Ibid.*, Box 230:408; Memorandum for the President, July 15, 1940, *Ibid.*, Box 282: 291. According to Young, the triangular transaction may have been suggested to Morgenthau originally by K. P. Chen in earlier years. Roosevelt also suggested it to Soong. See Young, *China and the Helping Hand*, 134.


19. A petition to Roosevelt by 115 American members of CIC, July 22, 1940, Soong Papers, Box 8.

20. Soong to Tong, August 4, 1940, Ibid., Box 8.


23. Ambassador Grew urged Hull to accept a Japanese proposal for a compromise in which America would secure an equal access to Japanese-dominated Asian markets in return for the restoration of cooperative trade relations with Japan. Assistant Secretaries of State Hugh Wilson and Adolf Berle urged Hull to withdraw from Asia because they desired to save Europe first. Withdrawal from Asia or a short-term or long-term compromise with Japan over Southeast Asia was supported by those in the Navy and War Departments who saw the urgent needs to focus American energy on efforts to save Western Europe. See *Ibid.*, 84-91.


32. Utley, *Going to War with Japan*, 104.


37. Hornbeck’s memo of his conversation with Morgenthau, August 15, 1940, FRUS (1940), III: 597-98. Hornbeck said that “Japan could purchase ample supplies of crude oil from outside the United States” and “her policy and action with regard to a possible attack upon the Netherlands East Indies will be on the side of caution pending clarification of the situation in Europe.”


39. Boyle, China and Japan at War, 299-300.

40. Spagant to Morgenthau, September 5, 1940, Morgenthau Papers, Box 303: 73.

41. Young, China and the Helping Hand, 135; Berle’s memo, September 13, 1940, FRUS (1940), III: 668.

42. Phone conversation between Hull and Morgenthau, September 20, 1940, Morgenthau Papers, Box 307: 142.

43. Morgenthau’s memo, September 23, 1940, Ibid., Box 307: 294.

44. Phone conversation between Morgenthau and Henderson, September 24, 1940, Ibid., Box 308: 44.

45. Young, China and the Helping Hand, 135.

46. Cochran to Morgenthau, September 25, 1940, Morgenthau Papers, Box 308: 176.

47. Utley, Going to War with Japan, 105-10.


49. Utley, Going to War with Japan, 119.

50. Ullmann to Morgenthau, November 27, 1940, Morgenthau Papers, Box 332: 40-B.

51. Johnson to Hull, October 12, 1940, FRUS (1940), III: 424.


53. Chiang’s letter of October 18 attached in Johnson to Hull, October 20, 1940, Ibid., III: 673.

54. Johnson to Hull, October 20, 1940, Ibid., III: 675-76. “To do otherwise is to put the stamp of validity on all that the Japanese and the Communists have said about the unwillingness of the English and especially the United States to go beyond words in helping the Chinese to stand independently against aggression by a stronger power,” Johnson added. Also, Johnson urged prompt additional economic assistance to China, saying that “I believe and strongly urge that the American Government should give earnest consideration to ways and means of bolstering the
Chinese economic structure while the opportunity remains.” See Johnson to Hull, October 21, 1940, *Ibid.*, 677. Johnson also emphasized that America needed to boost Chinese morale. He had been always keen to the ups and downs of Chinese public opinion on America. He admitted that the U.S. had done very little for the Chinese in previous years and it was time to give a full support for China. See Johnson to Hull, October 23, 1940, *Ibid.*, III: 678-79.


59. Welles to Johnson, November 18, 1940, *FRUS* (1940), III: 693.


64. Boyle, *China and Japan at War*, 303.

65. Treasury Meeting, November 29, 1940, Morgenthau Papers, Box 333: 31.


70. The Committee on the Judiciary, *Morgenthau Diary*, vol. 1, 301.


72. The EIB’s purchasing loan was formally agreed on February 4, 1941, and Treasury’s currency stabilization loan on April 25, 1941. See The Chinese Ministry of Information, *China Handbook*, 159.

73. Morgenthau’s memo, December 7, 1940, Morgenthau Papers, Box 342A: 2.

74. Morgenthau’s memo, December 8, 1940, Ibid., Box 342A: 2-3.

75. The State Department to the Chinese Embassy (oral statement), December 4, 1940, *FRUS* (1940), IV: 706. In return, State asked the Chinese for detailed information about Soviet aid to China.

76. Chiang to Morgenthau, December 16, 1940, Morgenthau Papers, Box 342A: 16.

77. Morgenthau’s memo, December 13, 1940, Ibid., Box 342A: 12.

78. Phone conversation between Morgenthau and Knox, December 20, 1940, Ibid., Box 342A: 22.

79. Morgenthau’s memo, December 21, 1940, Ibid., Box 342A: 24-26. Chennault and Mow suggested to Morgenthau several tactical plans for bombing Japan: 1) Four-engine bombers, either the Lochhead Hudson or the Flying Fortress, could be operated at night to bomb Japanese cities; 2) At least 230 pursuit ships were necessary to defend the bomber bases and to keep the supply line over the Burma Road; 3) Each bomber would be staffed with an American pilot, an American bombardier, and five mechanics.

80. Morgenthau’s memo, December 22, 1940, Ibid., Box 342A: 27.


82. A conference note, January 2, 1941, Morgenthau Papers, Box 344: 46-66; A conference note, January 2, 1941, Ibid., Box 344: 86; Morgenthau’s memo, January 2, 1941, Ibid., Box 344: 171.

83. Morgenthau to Hull, January 10, 1941, Ibid., Box 346: 383-A.


86. Chennault’s memo, undated, Chennault Papers, Box 4.
87. Arthur Young sent a letter to Morgenthau to explain that the purchase of 100 P-40 fighters should be handled by Intercontinental rather than by UTC because the former had a legal contract for exclusive agency for Curtiss-Wright, or UTC would transfer the payment to the Intercontinental in one way or another. See Young to Morgenthau, January 10, 1941, Morgenthau Papers, Box 346: 382.


90. A copy of CIC document, Soong Papers, Box 8.


92. According to Balinska, Rajchman was suspected of having attempted to replace Polish Ambassador Count Potocki with a new one on behalf of the Polish government-in-exile in London. In October, the Polish government in London informed the State Department that it wanted to replace Potocki with Jan Ciechanowski. Potocki resisted and accused Rajchman of being a Soviet spy. Hull and Welles wanted to keep Potocki in place because a new representative from the Poles in London and Rajchman might attempt to lead America into the European War. In the end, an agreement was made between the State Department and the Polish government in early January 1941. The Polish government in London would end Rajchman’s commission as a Polish relief agent in return for a new ambassador. Then, Rajchman was asked to leave especially at the insistence of Hull. His friends, especially Edgar Mower and Soong, fiercely defended and eventually saved him. See Balinska, *For the Good of Humanity*, 141-54.


94. Soong to Bullitt, October 23, 1940, Soong Papers, Box 1.

95. Soong to Rajchman, November 22, 1940, Soong Papers, Box 8; Soong to Rajchman, March 31, 1941, Ibid.


97. See The Committee on the Judiciary, *Morgenthau Diary*, vol. 1, 133.


99. See Alsop to Soong, December 3, 1940, Soong Papers, Box 1; Alsop to Soong, December 6, 1940, Ibid.

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100. The Committee on the Judiciary, *Morgenthau Diary*, vol. 1, 221.


105. Currie’s memo, February 7, 1941, Currie Papers, Box 4.


114. Eliot Janeway, “Roosevelt vs. Hitler,” *Life*, 10: 18 (May 5, 1941): 100-03. Janeway was a man who had inspired a first major controversy over the American sale of war materials to Japan through his article to *Harpers* magazine in June 1938.


116. Currie to Soong, March 17, 1941, *Ibid.*, Box 1. Soong had given $2,500 to Currie before his trip to China. After the trip, Currie charged Soong for $1,681.53 for his total expenses during the trip and $1,388.88 for his salary during January 25 to March 11.


Chapter VI
American Commitments to a “New China”:
Lend-Lease Aid and Publicity Campaigns, 1941.

By the middle of 1941, financial lobbying and propaganda efforts for China in the United States were centered in the activities of two major organizations, the China Defense Supplies, Inc. (CDS) and the United China Relief, Inc. (UCR). The former was created by T. V. Soong to procure official aid for China under the Lend-Lease program, and the latter was formed by a number of American friends of China as a humanitarian and publicity organization to provide civilian aid for the Chinese. These two agencies, though operating separately, envisioned a new stage of the Sino-American relationship and, in the course of events, produced a number of pro-China lobbyists and publicists in the United States. Perhaps no other pro-Chinese agencies ever made more penetrating access to the top decision-makers of the U.S. government than CDS, and no other civilian agencies mounted more elaborate campaigns on behalf of China than UCR. While combating the reality that China still remained a low priority in American minds, they pressured Washington to expedite moral and material support for China. Yet, Washington’s commitments to China remained quite superficial.

Soong, Currie, and the China Defense Supplies, Inc. (CDS)

By January 1941, Soong had secured several American pledges to assist China: 1) the $100 million loan, half of which was for China’s currency stabilization; 2) the agreement on the procurement of 100 fighter planes for China; and 3) support for the American Volunteer Group (AVG) in China. But none of the agreements had yet materialized. Thus, Soong needed to
complete the stabilization loan agreement with Morgenthau, persuade the Army to procure the airplanes, and recruit volunteer pilots. In addition, Soong had asked for an American freeze of Chinese and Japanese assets in the United States, which assumed a complete embargo on all American exports to Japan and Japanese-occupied areas in China. After January, Soong was also busy securing Washington’s commitment to Lend-Lease aid to China. Because Currie assured Soong that Roosevelt would approve China’s eligibility for Lend-Lease, Soong began establishing China’s Lend-Lease agency in advance of the passage of the Lend-Lease bill itself.

While Currie lobbied Roosevelt and Harry Hopkins to guarantee Lend-Lease aid for China, Soong and Rajchman established China Defense Supplies, Inc. (CDS) along the model of the British Purchasing Commission. Like UTC, CDS was staffed by Chinese officers and American advisors. Thomas Corcoran and his brother David, a businessman, were recruited as key American advisors. Roy Howard, a journalist, was also associated with Soong.¹ Rajchman was permitted by the Immigration Service to reside in the United States as a temporary visitor for business, for he was appointed by Soong as “Advisor on Economic Relations to the Head Office of the Bank of China.”² After Congress passed the Lend-Lease Act on March 11, Roosevelt announced on March 15 and 27 that China would have American aid.³ On March 27, shortly after Congress had appropriated $7 billion for Lend-Lease aid for Britain, Soong prepared a report on China’s needs for Lend-Lease aid. In it, Soong asked for “an air force of 700 pursuit and 300 bombardment planes, together with necessary replacements,” in addition to 500 planes that had been requested since November 1940.⁴ On that same day, Soong also talked with Major General James H. Burns of the War Department’s Interdepartmental Committee for Coordination of Foreign and Domestic Military Purchases to emphasize China’s urgent need for airplanes.⁵ Yet,
China’s eligibility for Lend-Lease aid proved highly controversial in Washington.

Harry Hopkins, who was in charge of administering Lend-Lease aid, regarded Lend-Lease aid for China as a token rather than as a strategic imperative. Currie, however, discussed the issue with him. Like Soong, Currie was looking not only at Lend-Lease aid for China but also for all other China’s requests. In a letter of April 1 to Madame Chiang, Currie wrote that “I am serving the best interests of my country in making our ties with China as close as friendly as possible” and assured her that Lend-Lease aid, the AVG, and the stabilization loan for China were on the way. Currie appealed to Roosevelt for the earliest possible release of the $50 million stabilization loan and assumed the supervision of the recruitment of American pilots and the training of Chinese pilots in the United States.

Yet, the Chinese became desperate after the Soviet-Japanese non-aggression pact became known on April 13, because that would stop Soviet aid to China and allow Japan to transfer her troops from Manchuria to southern China. No concrete American aid to China had yet materialized. Driven by a sense of urgency, Soong pressed Roosevelt but gained no assurances. Turning to Felix Frankfurter, one of Roosevelt’s closest aides, he wrote in a confidential letter of April 17 that he had been organizing CDS at Roosevelt’s advice. In an obvious effort to ingratiate himself to the President, Soong made Warren Delano, Roosevelt’s uncle, honorary chairman of CDS, David Corcoran, brother of Thomas, president, and Lawrence Morris, the lawyer for UTC, counsel. However, when Soong “begged” Roosevelt “specifically to say that China’s demands will be granted,” the President simply replied that “so long as the Battle of the Atlantic is won everything will be all right.” Soong appealed to Frankfurter for help “as a fellow-believer in the democratic way of living” and assured him that China could survive “at the
minimum, [receiving] 7% of what the British are getting.”

Soong’s aggressive tactic, however, brought a backlash from Morgenthau. Soong asked Frankfurter to persuade Roosevelt to make the announced $50 million stabilization loan to China “available all at once instead of various installments.” However, Morgenthau maintained that the loan should be released in ten installments, $5 million per month. Also, Morgenthau wanted the Sino-Anglo-American Stabilization Board, which would collectively supervise the Anglo-American loans and Chinese money, to have unfettered control of the Anglo-American loans. In addition, he asked the Chinese government to name K. P. Chen the Chinese representative of the Stabilization Board. These conditions, except for Chen’s appointment, caused the Chinese to oppose Morgenthau’s plan. Instead, they wanted the loan at once and without such conditions. Currie tried to persuade Roosevelt to waive such conditions on behalf of the Chinese, while Soong asked Frankfurter and Thomas Corcoran to persuade the President to accept the Chinese proposal. Yet, this pressure made Roosevelt and Morgenthau feel uneasy with Soong.

For his part, Morgenthau was confused about “who is on the U.S. payroll and who is on the Chinese payroll and who is working for what,” and was suspicious of Soong’s “special representatives,” especially Thomas Corcoran who had many friends in the cabinet and Congress. On April 21, an angry Morgenthau told Harry White that he would not provide the announced loan for China. Yet, White cautioned him that, if he did not, “some peace arrangements [between China and Japan] may be made.” In direct conversation, Morgenthau told Soong that he and Roosevelt did not like Soong’s employment of “special attorneys” and inquired about his purpose of using them. Soong equivocated at first, insisting that there were “no lawyers connected with me at all in my dealing with you.” When Morgenthau pointed out his connection with Corcoran,
Soong replied that Corcoran was just a close friend and had nothing to do with the stabilization loan issue. Morgenthau, referring to Roosevelt’s concerns, pointed out that “either Mr. Corcoran or his brother, in some capacity, is being retained by you, financially.” Soong explained that, as UTC worked for civilian needs, CDS would work for military needs with new employees including Corcoran’s brother. After White helped explain to Morgenthau that the Treasury staff had known about CDS, Morgenthau seemed more accepting of Soong’s use of Corcoran. Interestingly, Soong claimed that his job in Washington was not “a lobbying work.” In any event, by this time, Morgenthau had not been fully aware of Soong’s formation of CDS, though Treasury staff members such as Edward Foley, Harry White, and Lawrence Morris had been involved with the Chinese official. After this incident, however, Morgenthau resumed his intimate relationship with Soong.

According to Arthur Young, using Anglo-American loans to stabilize China’s currency was an extremely complicated international issue. The British favored selling foreign currencies freely at Shanghai’s International Settlement where China had no jurisdiction. Soong, advised by Young and Rogers, was willing to comply with this British position. However, Chiang and Kung preferred a policy of exchange control, by which the Chinese government could regulate the sale of foreign currencies in the Shanghai market and thereby prevent foreign plots and reckless speculation. In Washington, the State Department favored Britain’s “free market” stance, while the Treasury preferred exchange control as it defined that term. Thus, while Soong and Kung continued to fight over China’s best policy on the currency issue, Morgenthau resisted the use of Treasury money for the proposal backed by the British and the State Department. In any event, Soong clearly needed to placate Morgenthau, not only for the loan itself but also to gain other
support from him. Morgenthau’s procurement division, for instance, had the authority to
distribute non-military Lend-Lease aid. Also, he had the power to freeze Chinese and Japanese
assets in the United States and its domains, action which Soong had requested for months in an
effort to impose sanctions against Japan. To gain these other benefits, Soong had to comply with
Morgenthau’s terms on the stabilization loan.

Meanwhile, Currie continued to press Roosevelt on China’s behalf. On April 23, Currie
urged Roosevelt to approve his use of a private code system given by Chiang to explain the U.S.
position directly to Chiang.14 Two days later, through Currie, Chiang asked Roosevelt to make a
“speedy positive decisive manifestation of American aid to China.”15 On that date, the President
instructed Morgenthau to sign the agreements for the $50 million stabilization loan with the
Chinese, and formally announced China’s eligibility for Lend-Lease. Soong then promptly signed
the loan agreement with Morgenthau’s conditions. Yet, because Soong had signed the agreement
without final instructions from Kung, Chiang and Kung were angry. A. Manuel Fox, appointed
by Morgenthau as the American supervisor of the Stabilization Board, later discovered Kung’s
dissatisfaction over the loan agreement. Not understanding the personal rivalry between Soong
and Kung, Fox was troubled from the beginning of his mission to China on June 20.16 Thus,
Madame Chiang later wrote to Currie that, unlike other American advisors in Chongqing, “Mr.
Fox has had a very difficult time with all the problems arising from the operations of the
Stabilization Committee.”17 Ambassador Clarence Gauss, who replaced Johnson in May, also
reported to Hull that, upon the information given by Maurice Votaw, Chiang and Kung criticized
Soong for his “utter disregard of the Chinese ambassador” and his “lack of tact and [his]
arrogance” toward Morgenthau and Hull that had caused the unsatisfactory agreement.18
In any event, by April, Roosevelt had approved certain measures designed to help China. On April 15, he issued an executive order to permit military personnel to make contracts with the Central Aircraft Manufacturing Company (CAMCO) to become pilots in China. On that date, at the request of Soong and Chennault, the Chinese government formally contracted with CAMCO which would recruit American volunteers at a monthly salary of $500 per pilot and $300 per engineer. Following the President’s approval of the stabilization loan contract and China’s eligibility for Lend-Lease on April 25, Soong registered CDS as China’s Lend-Lease agency on April 29. Two days later, he informed CAMCO in New York of U.S. approval that allowed it to purchase all supplies necessary for “the personnel of the advanced training units” in China. In fact, CDS funded CAMCO’s operation. In May, Ambassador Hu Shih assured Hull that CDS was founded as a Delaware corporation by Soong who “had been duly appointed and designated and was acting as agent, representative and attorney-in-fact of the National Government of the Republic of China.”

Initially, CDS was loosely organized. Soong served as chairman of the Board, Thomas Corcoran as general counsel, and Corcoran’s brother, David, as president. Currie was a CDS supervisor. At Roosevelt’s advice, Soong hired William S. Youngman, Jr., former general counsel of the Federal Power Commission, as a CDS attorney as well. Soong’s old friends, Alsop and Bullitt, also served as advisors. However, these people were not reported to the U.S. government as CDS lobbyists. According to CDS correspondence with General S. M. Chu, military attache at the Chinese embassy, the list of CDS staff members sent to the War Department included the names of seventeen people, including five Chinese military personnel and only six Americans. These six were David Corcoran, Claire Chennault, Harry Price,
Lawrence Morris, John N. Glidden and R. W. Bonnevalle. As of May 7, the total number of personnel serving CDS, including secretaries and guards, reached fifty. Rajchman and Arthur Young were among the initial CDS members. In the following months, Soong added a few others as either formal or informal counsels for CDS. Roy Howard was one. Whiting Willauer, a special counsel for the Federal Power Commission, was another. According to Rajchman’s note on September 29, Willauer was in charge of procuring metals for CDS; Bonnevalle, Treasury’s gasoline and metals; Price, all kinds of medical supplies; and Glidden, transport equipment. Youngman assumed the position of CDS president in late 1941.

CDS’s initial coordination with the War Department did not go well, partly because of the latter’s confusing administration. A CDS cable of May 27 indicated that secretaries of the China Defense Aid Requirements Committee, a War Department procurement committee for China, were frequently changed. Meanwhile, CDS consolidated itself. Soong sent CDS agents to China and Burma. On May 20, Soong appointed R. C. Chen a CDS representative in Burma who would oversee the shipment of Lend-Lease materials. Chen left for Burma at the end of May. In July, Soong also planned to send Alsop to China as an observer on behalf of CDS. Thus, he introduced Alsop to Tong in a letter and asked Tong to arrange an interview between Chiang and Alsop. Chennault also went back to China for the supervision of the AVG and the shipment of aircraft. Aware that Washington was not likely to provide prompt military aid to China, Soong and Currie consolidated Sino-American communication lines and focused on the transfer of American personnel, especially AVG members, to China.

CDS sought to maintain secret communication lines between Washington, Chongqing, and its bases in Burma. In Washington, Currie provided access to the White House with a private
cable code system to communicate directly with Chongqing. Confused about Currie’s role, Morgenthau told his staff on May 12: “The trouble with Mr. Currie is, I don’t know half the time whether he is working for Mr. Roosevelt or T. V. Soong.” In fact, Currie transmitted important messages to Morgenthau and Hull. Yet, the new Ambassador in China, Gauss, asked Chiang to send all his messages through the embassy. In a letter to Hull on July 24, Gauss complained about the communication line between the Chinese and Currie as follows:

With the utmost respect but in all earnestness I submit that no Ambassador to China can function intelligently and efficiently under present conditions without some background on what is transpiring through other than the usual diplomatic channels. For example, we are in almost complete ignorance of what is being done by way of aid to China under the Lend-Lease Act and we have no information regarding the provisions of the currency stabilization loan agreement.

Gauss called for the use of “normal diplomatic channels of communication.” Hull immediately sought Roosevelt’s support to ask Currie that “messages which he sends to officials in Chungking pass through the hands of our own Ambassador.” On July 30, Welles, Hornbeck, and Hamilton informed Currie of the President’s desire to keep the Ambassador aware of developments. Currie agreed to report regularly to the State Department. At the same time, however, Roosevelt himself seemed to prefer to use Currie’s secret code system. Thus, Currie wrote to Madame Chiang on September 18 that the President “would communicate more frequently directly with me if it were not for the very understandable resistance of the State Department.”

CDS also used a separate communications system for its operations in China and Burma. On August 19, Soong informed Chennault in Tungoo, Burma, that their communications must be transmitted directly, not through the Chinese embassy in Washington. Also, on October 4, R. C.
Chen, now working at Rangoon, informed Chennault that “all the cables from Dr. Soong direct to Tungoo,” where Chennault stayed, would have “exemption from [Chongqing’s] censorship.” In this manner, CDS sought to circumvent the regular diplomatic channels, though its operations were open to key observers in Chongqing and Washington. Like UTC, CDS was run by a Chinese banker and supervised by U.S. officials.

**Lend-Lease Aid and the American Volunteer Group (AVG)**

The main objective of CDS was to secure U.S. aid, especially aviators and airplanes, for the AVG in China. According to Currie’s note of May 3, 73 Americans had already applied for pilot positions and 170 for mechanical and administrative positions in the Chinese air force. Of these candidates, CAMCO had accepted 18 pilots and 58 others. To maintain secrecy for the operation, Currie thought that “suitable arrangements should be made with the Press.” In these arrangements, CAMCO would give fixed answers to any journalistic questions about China’s efforts to recruit pilots from the U.S. army and navy. CAMCO would answer that it was recruiting Americans “as transport pilots, mechanics, and instructors” but not as pilots for “flying fighter planes for China.” Ostensibly, they were simply personnel hired by a commercial airline for transporting American supplies to China through Burma. The State Department issued falsified passports for them. According to the *New York Times*, however, the State Department denied that it had made any deal with the Chinese for enlisting American pilots in the Chinese air force. Instead, it simply said that some American mechanics were working at an American-owned aviation plant in China.

China’s requests for airplanes and military goods under Lend-Lease, however, largely
went unfulfilled. China had the capacity to manufacture only small arms, and therefore needed to import the necessary raw materials for her arsenals and advanced weapons. As *Fortune* magazine pointed out in April 1941, there was “no bombed city in the world,” like Chongqing, “for three years in a row.” China also needed planes to protect the shipment of materials through the Burma Road. One hundred Curtiss P-40's had been secured on the condition that China would use these planes to convoy shipments over the Burma Road. Yet, these planes were purchased with China’s own funds and not released under Lend-Lease. Moreover, as Soong pointed out in his report of March 27, these P-40's were equipped with outmoded engines and therefore unavailable for long-range combat missions. Still, he and Currie found it difficult to persuade Army officials, especially George Marshall, to release airplanes to China.

Hopkins informed Currie on May 6 that “because the Chinese program is such a minor part of the total it would be unwarranted [by the Army].” But Currie asked Hopkins directly to press Marshall to approve the Chinese program. Assisted by Chennault, Currie forwarded detailed plans to Knox and Marshall in early May, asking for 250 fighters and 150 bombers in addition to the agreed 100 P-40's plus ammunition and manpower for them. By early June, the likelihood of Japan’s move into southern Indochina had inspired the Army-Navy Joint Planning Committee to recommend the Currie plan to the Army-Navy Joint Board. Yet, Marshall still refused to provide even ammunition for China’s P-40 fighters. Currie appealed to Hopkins and Welles who then persuaded the President to endorse at least a token shipment to China. In early August, Roosevelt instructed the Army to provide the requested ammunition. Even then, the Army procurement of supplies for China was minimal.

In the meantime, to placate the anxious Chinese, Washington allowed U.S. personnel to
join the Chinese air force. According to Currie’s report to Roosevelt on June 21, the first unit of
the AVG, consisting of 100 pilots and mechanics, was ready to leave for China on June 30. 46 In
principle at least, the Joint Board approved the idea of the AVG in China in July. To press
Washington, Chiang informed U.S. officials on July 8 that he had reliable information that Japan
intended to move southward. 47 The Joint Board thought that the AVG would function as a
deterrent to Japan’s move against British possessions in South Asia, and saw its role in this
context rather than as part of China’s offensive program. 48 Accordingly, no bombers were
reserved for the Chinese. CDS then sought to induce Roosevelt’s direct order for the procurement
of airplanes. According to Rajchman’s memo on August 12, Currie would try to secure a direct
order from Roosevelt for the delivery of airplanes and enlist pilots without going through the
Army. He also noted that, although State officials had approved Currie’s job, “there is little
change in the general attitude of the State Department, whose position is being overruled only in
case of extreme necessity.” 49 The Army and the State Department, with their “Europe-first”
views, were quite reluctant to provide aid to China.

By August, Soong expressed frustration because aircraft had been assigned for the Soviet
Union but not yet for China. He sent a letter to Colonel William Donovan of the Office of
Coordinator of Information to complain that “deliveries of aircraft are being made to the Soviet
Union, after repeated earlier promises of delivery to the Chinese have been excused as
nonperformable because the aircraft simply does not exist.” While criticizing “the recent frank
disclosure of the American policy of appeasing Japan with materials of war,” Soong complained:
“The cables I am now receiving from China asking if your promises of help are real are the
saddest things to read and the most difficult things to answer I have ever faced in my life.” He
explained that the Joint Board had approved an allotment of 66 bombers and 269 fighters in July and then had informed him the postponement of delivery. Captain James Roosevelt, the eldest son of the President and an official in the Office of Coordinator of Information, transmitted this copy to Welles and appealed personally to Hopkins for aid to China. In his letter, he expressed his personal view that the Chinese, unlike the British and Russians, were reliable and had great potential. In sympathy with the Chinese, he deplored the fact that “the most tragic part of the letter for the Chinese mind are the promises and telegrams specifying numbers and amounts all of which turn out to be just so much ‘bunk.’” Instead of allocating airplanes, however, Roosevelt informed Soong on August 20 that he would send a U.S. military mission to China under Brigadier General John Magruder.

By early September, according to Currie’s report to Roosevelt, CAMCO had hired 101 pilots and 181 technical assistants for China. Also, the U.S. Army was ready to accept 500 Chinese pilots for a 7-month advanced training program, along the lines of the British pilot training program, in America, though they would not arrive until November. Also, the British agreed to release 66 bombers for China in the next three months. Still, additional American pilots and technicians were needed. Currie asked Roosevelt to instruct the Army and Navy to release more personnel for service in China. On September 13, Roosevelt informed Stimson that 282 Americans would operate 100 P-40’s in China and China might receive 269 new pursuit planes and 66 bombers in the next few months. Thus, he instructed Stimson to “accept the resignations of additional pilots and ground personnel . . . to accept employment in China” and informed him that Currie would “see that representatives of China carry out the hiring program.”

Nevertheless, CDS failed to receive what it sought. According to Fortune magazine in
September 1941, CDS itself was “one of the clearest-headed outfits operating in the nation’s capital and has given a good account of itself since its establishment in May, 1941,” particularly because it was an agency run by competent New Dealers like Currie and Corcoran. On behalf of CDS, David Corcoran “plows through the field of red tape and tangled priorities, getting supplies for China out of factories, warehouses and stock piles aboard ship and away,” and Currie “does the actual pleading for China in the highest circles.” However, Washington’s meager response to China’s call for Lend-Lease aid was due not only to the low evaluation of China’s strategic value but also to “the unreal labyrinthine confusion under which all Washington operates.” The actual procurement of Lend-Lease materials funneled through quite complicated procedures. CDS’s request for particular items went first to the designated committee of the War Department through the Division of Defense Aid Reports. Then, the War Department committee made detailed recommendations to the President through the Bureau of the Budget. The recommendations, if approved by the President, went to the Secretary of the Treasury who would allocate funds for the requested items. Once funds were allocated, the Army Procurement Division would proceed with the requisition. So far, Fortune reported, Morgenthau’s procurement office, which could obtain nonmilitary Lend-Lease supplies directly, was “the most prompt of all agencies in meeting China’s needs.” Yet, none of tanks or planes had been allocated for China by the Army Procurement.

Owen Lattimore’s experience helps clarify the nature of U.S. aid for China in 1941. Chiang had asked Currie to ask Roosevelt to dispatch an American political advisor to China. By June, Roosevelt responded by nominating Owen Lattimore, a Chinese-born historian at John’s Hopkins University and editor of Pacific Affairs, as a special political advisor to Chiang.
According to Lattimore, Chiang wanted to consolidate a direct diplomatic line with Roosevelt, one that circumvented the State Department, because he viewed State officials as pro-Japanese and grossly distrusted the new American Ambassador, Clarence Gauss. Chiang wanted one of Roosevelt’s men at his side, and asked Currie to find such a person. Bullitt sought such a position, but Roosevelt did not allow any Washington insider to become Chiang’s lobbyist. Thus, he allowed Currie to find out an apolitical appointee. Lattimore recalls that he was chosen for the job, because Roosevelt was not concerned about China:

Roosevelt’s chief interest was in helping Churchill save Britain from following France into defeat. China had a low priority with him, such a low priority that he used China as a dumping ground for getting rid of ambitious people to whom he did not want to give jobs that would help them build up their personal political influence. This was something I, not being an experienced prowler in the corridors of power then or later, did not understand until I was told about it, many years afterwards.58

Called by Currie, Lattimore was interviewed by Harry White and several other Treasury officials who, according to Lattimore, stressed that “U.S. aid to China in whatever form should not be used in a way that would encourage Chiang Kai-shek to give priority to his quarrel with the Chinese Communists over his resistance to Japan.” After the interview, Currie and White decided to dispatch Lattimore to Chiang if the Generalissimo agreed. Lattimore then had an interview with T. V. Soong and Rajchman at CDS office. Finally, Lattimore was briefly interviewed by the President who said nothing about U.S. policy toward China but only spoke of the Soviet Union. The German invasion of the Soviet Union had begun, and Roosevelt wanted Lattimore to convey his message to Chiang that China should not cease her resistance to Japan because of the expected drop in Soviet aid to China.59

Lattimore’s story suggests another interesting aspect of Sino-American relations in 1941.
The State Department was ostensibly out of the picture. Currie, White, and Soong chose Lattimore as the President’s emissary without consulting State. Hull did not object to the appointment of Lattimore but assured Roosevelt that “Mr. Lattimore would . . . function as a private American citizen and not as an official of this Government.” According to Lattimore, Chiang accepted him, in spite of his limited value as an informant of the White House, because he “stood totally outside the State Department.” During his service in China, Lattimore “was politely but firmly kept away from the official channels of U.S. diplomacy” by the American embassy in Chongqing. Even after his service in China, Lattimore was ostracized by both the State Department and the U.S. embassy in China. In this manner, Roosevelt sought to placate Chiang, while blocking his influence on U.S. policies. In the meantime, he encouraged the State Department to negotiate with Japan for a possible U.S.-Japanese compromise to avoid conflict.

In Washington, Currie also felt increasingly ostracized by top policy-makers because of his role on behalf of Chiang and CDS. In a letter to Hopkins in late October, Currie complained that he was “handicapped” for “lack of adequate information.” He expressed his feeling that “I’m more in the position of a member of the Chinese lend-lease organization than of the American. Even the British know much more of all the relevant facts than I do.” He assured Hopkins that “I would not, of course, pass on any of the information to the Chinese.” In this manner, Currie had to convince others that he was not a China lobbyist. This illustrates the fact that China’s lobbying activities in Washington were checked by those who believed in limiting aid to China.

According to data kept by Currie, the total value of Lend-Lease supplies to foreign countries to December 15, 1941, was $843,059,000, excluding direct combat equipment. The British empire received $787,803,000, China, $23,416,000, the Soviet Union, $21,167,000, and
other countries, $10,673,000. The actual amount requested by China, including airplanes, fell far short of what it received. Thus, Soong was still complaining in April 1942 that none of arms and munitions assigned for China had been effectively procured. He complained that no combat bombers had arrived in China since the passage of the Lend-Lease Act. In 1941, although at least 250-300 pursuits and 33 bombers had been assigned to China, only 30 pursuits and the AVG planes had been delivered to Burma. They were not, however, Lend-Lease supplies. In the first four month-period of 1942, only 38 planes had arrived in India under Lend-Lease. Referring to this data, Soong exclaimed: “Contrast this meagerness with support to Britain and to Russia, and you could understand the feeling of my people at home.” Despite his elaborate lobbying, Soong could not change China’s priority in Washington, conditioned as it was America’s historical “Europe-first” strategy. After all, Washington’s support for China’s Lend-Lease and AVG program in 1941 was more or less a token payment to keep China at war.

**Henry R. Luce and the United China Relief, Inc. (UCR)**

In 1941, Washington’s stingy response to China’s demands for massive financial and material aid was in marked contrast to America’s verbal celebration of China’s virtue. In that year, the largest and most elaborate pro-Chinese publicity organization, the United China Relief, Inc. (UCR), was established in New York City by American friends of China. In its origin, UCR was a voluntary effort to provide civilian aid for Chinese war victims. However, it served as a vehicle to sell new images of China to the American people with ever more sophisticated methods. There had been more than eight pro-Chinese relief or similar fund-raising organizations in the United States since 1937. As Chapter IV briefly examined, these relief agencies had a
certain effect on American public opinion in the course of their fund-raising efforts, though their campaigns remained small. By 1939, several attempts among these separate agencies to combine their operations under a single coordinating leadership had failed, because it was hard to secure an outstanding individual to lead such a movement. In January 1940, however, B. A. Garside, Edward Hume, Roger Greene, Claude Forner, and John E. Baker, representing China relief agencies, formed a committee to coordinate all fund-raising activities on behalf of China.66

Garside, the American Secretary of the Associated Boards for Christian Colleges in China and a member of the Price Committee, led the movement.67 Behind him was Henry R. Luce who had an ambition to continue his father’s educational legacy in China.68 Momentum for Garside’s efforts came in July 1940, when Chinese Consul General Tsune-chi Yu invited representatives of China relief agencies to a New York cocktail party and asked them to unite their efforts to aid China. Initially, they failed to make progress because they were unable to secure a group of distinguished people and an initial operating fund for their campaign. However, Luce promised that he would recruit outstanding American leaders to serve the new organization and raise money for its initial operation.69 In December, the eight agencies made a tentative agreement to unite their efforts at the beginning of 1941. In January, Garside and others discussed with Norman H. Davis of the American Red Cross the formation of UCR. They agreed to work together to raise $5 million.70 On February 7, UCR was incorporated under New York law as a membership corporation, and all the participating agencies agreed to work together by the end of July.

Initially, UCR was formed under a temporary contract for a united campaign of various agencies. Seventeen members of UCR’s Coordinating Committee represented separate agencies.
which had joined UCR.\textsuperscript{71} UCR’s nation-wide campaign was supervised by a Board of Directors which consisted of Chairman James G. Blaine, a banker; Vice-Chairman Eugene E. Barnett, head of the YMCA; Thomas W. Lamont; John D. Rockefeller, III; Paul G. Hoffman; David O. Selznick; Colonel Theodore Roosevelt, Jr.; Robert G. Sproul; Wendell L. Willkie; William C. Bullitt; Pearl S. Buck; and Henry R. Luce. UCR’s National Advisory Committee, which was largely honorary, consisted of Honorary Chairman Mrs. Franklin D. Roosevelt, Chairman Pearl S. Buck, and Vice-Chairman Mrs. James E. Hughes.\textsuperscript{72} UCR also set up various national committees. T. V. Soong chaired its National Committee on Chinese Participation. Local committees were set up under local chairmen in major cities and towns. In addition, a staff of field agents maintained liaison between national and local headquarters. Garside, as the Executive Director of UCR, managed UCR’s campaigns as a whole.\textsuperscript{73}

It was Luce who actually geared up UCR behind the scenes. Thus, Barnnett, Vice-Chairman of UCR, in a letter to a friend, credited Luce “for convincing the idea of a united appeal for China, for the long suffering patience with which he consulted the several agencies involved, for going out and lining up a very strong body of men and women on the Board of Directors, for putting on a national program of publicity which has helped China in many ways, and for putting money and time lavishly into the undertaking.”\textsuperscript{74} Luce’s motive for UCR was political as well as cultural, because he envisioned a Sino-American global partnership equivalent to the Anglo-American partnership. His vision for America’s global leadership was expressed in his famous article, “The American Century,” published in \textit{Life} magazine on February 17, 1941.\textsuperscript{75} Luce and Alsop were members of the “Century Group,” an informal caucus of highly-selective and influential figures who supported a larger American role in world
affairs. In this pro-British interventionist group, they tried to position China as a critical ally in America’s pro-British foreign policy. Likewise, especially after late 1940, Luce’s magazines portrayed China as a would-be Christian and democratic ally of the Anglo-American powers. Luce drew Wendell L. Willkie and other distinguished people into his pro-Chinese camp. According to W. A. Swanberg, Luce supported Willkie’s presidential campaign in 1940 in return for Willkie’s promise to make him Secretary of State once elected.

UCR’s publicity was in line with Luce’s political vision to integrate China as a vital part of the Anglo-American world. On February 14, Luce sent a letter to Ambassador Hu Shih to inform him that UCR had recently been organized and was developing detailed plans for its propaganda campaign. In this letter Luce suggested that new American images of China be devised and Madame Chiang visit the United States to publicize Sino-American solidarity:

Next week I expect to be in Washington and hope I may go over all the plans with you. Meantime let me just very briefly put this before you: the central problem of the campaign (qua campaign) is to lift the story of China out of the ‘old old story’ category and to present it for what it truly is -- the newest story in the world! This will require at least one very dramatic symbol. We therefore very much hope that Madame Chiang will come to this country for a brief visit in April. What Willkie did for Anglo-American [sic] ‘visibility’ (which was already high) Madame Chiang could do for Sino-American mutual visibility.

Luce envisioned UCR not simply as a relief organization but as a carefully-devised mechanism to build up new American images of Sino-American friendship in parallel with their images of Anglo-American intimacy. Technically, however, UCR was neither a lobbying agency nor a war relief agency for a country at war, because China was officially not a belligerent. Also, at a meeting on April 16, UCR Directors adopted a policy that “during the period of the united campaign no participating agencies will hold meetings that take sides on internal Chinese
political issues or sponsor political action in China.** The State Department took a neutral attitude toward UCR. Luce appealed to Hull for an official encouragement for UCR’s fund-raising activities, but Hull replied that the State Department did not officially endorse nor dismiss civilian fund-raising efforts.** However, Hornbeck, as he had done for the Price Committee, privately encouraged UCR and was sometimes invited to UCR events.**

UCR began its national campaign on April 2, but it was publicity, not organization, that characterized its efforts. Local committees emerged only slowly because of the lack of personnel to lead those local committees. UCR leaders early concluded that organizational difficulties would not disappear until the general public was fully informed of China’s importance to the U.S.** Thus, they decided to focus on publicity. Luce recruited several employees of *Time*, Inc. and loaned them to UCR to manage this propaganda effort. Otis Peabody Swift, a staff member of *Time*, Inc. and a newspaperman at the *Chicago Tribune*, directed UCR’s publicity.** In March, Swift and his staff examined a variety of programs. By mid-April, they had devised campaigns: 1) to manufacture pieces of imitation jade in the Chinese fashion; 2) to distribute famous manuscripts through an auction; 3) to inscribe a Chinese motto on buttons; 4) to produce Chinese-style clothes; 5) to make “tie-ups” with radio programs, involving Hollywood stars; 6) to form a Children’s Committee in each city to distribute buttons and coin boxes among children; 7) to set up a Chinese Chess tournament nationwide.** Luce and Swift also devised such pro-Chinese events as a “China night,” a “China week,” a “China luncheon,” a “Golden-rule week,” and a radio program to publicize the adoption of Chinese orphans.** Thus, UCR boasted that “a comprehensive program of publicity and promotion was developed, including not only releases and other articles for the press but also departments for radio, motion pictures, speakers,
merchandising, special features."

According to Blaine’s informal report on the progress of UCR on May 16, 1941, 151 cities and towns had been roughly organized with local chairmen, only ten of which were active, mostly in the Northeast. However, propaganda methods included: 1) booklets, flyers, and posters; 2) jewelry ornaments and insignia; 3) children’s penny buttons; 4) stamps for sale to children; 5) photo-offsets of newspaper clippings and cartoons; 6) 16 mm films; 7) radio announcements; 8) mailings and special gifts. Several merchandising corporations would promote the sale of such special items as ornaments, clothing, and gifts at department stores. UCR’s Publicity Department, headed by Swift and assisted by seventeen experts and fourteen secretaries, mailed news about China to all major editors and commentators throughout the nation on a daily basis. It employed popular comic strip writers to introduce Chinese scenes and personalities, especially for children. It also planned the construction of a Chinese pagoda in Time Square and a library for Chinese books. Street drives, which would sponsor the parade of Chinese and American girls, were scheduled in New York and other cities. UCR would distribute its press releases not only in America but also in China, the Philippines, Alaska, Hawaii, the Panama Canal zone, and elsewhere. Theodore White, then a Time correspondent in China, and Clare Boothe, Luce’s wife, would provide favorable reports about China. Frank Price would serve as a UCR coordinator in Chongqing, while his wife would manage UCR’s Speakers Bureau to provide speakers for local committees in the United States. UCR also planned to place feature articles on China in major periodicals, and UCR advertisements would appear in almost all American papers.59

UCR planned other specific events. UCR’s Old China Hands Committee, a group of 2,000 former residents of China, would write letters to local newspapers. UCR’s Children’s
Committee, under the nominal leadership of Walt Disney, planned to sell two million stamps, of which a million had been ordered already. UCR’s Writers Committee was formed to distribute “fictional and non-fictional” stories about China through various periodicals. UCR’s Artist, Musicians, and Theatre Committee was also in the process of formation. UCR’s “China Legion,” a membership program to provide a special certificate signed by Madame Chiang for large contributors, would provide four special fellowships. UCR’s Naval Advisory Committee and National Women’s Committee would be mobilized as well. UCR planned at least 45 promotional events between May 20-30 alone, including a Radio City Music Hall show, a Carnegie Hall benefit production, a China Trade show at the Metropolitan Museum of Art, a hotel luncheon, a Chinese fashion show, a China Sunday special worship, a radio program featuring China, and a film show. Luce, then touring in China, would return and to give a series of speeches about his trip at UCR dinners. One such dinner party would be given for 200 of the most influential people of Hollywood, because March of Time motion pictures on China would open at Radio City Music Hall soon. Blaine noted that, for local committees, “we have a full kit of propaganda material of all types ranging from motion picture films to buttons, running through all areas of printed material.” “To sum up,” he declared, “United China Relief has, during the past fifteen weeks of its existence, welded itself into a unique organization capable of making its force felt straight across the country in every walk of life and almost every phase of American activity.”

“New China” as a Democracy: UCR’s Publicity Campaign

UCR’s propaganda combined the rhetoric of the Price Committee, Pearl Buck, and Luce, in terms of a “New China” that would become a modern democracy like America. The rhetoric
of New China had been used by Frank Price and his brother’s Price Committee in earlier years. In its widely distributed leaflet, UCR was self-identified as “the most effective means of translating American sympathy and admiration for China into concrete measures of assistance” and “an opportunity to aid decisively in laying the foundations for the modern, democratic New China which can and must come out of the war.” UCR statements echoed Pearl Buck’s characterization of China as a natural democracy. Added to this observation was the missionary point of view, as Luce and others may have preferred to call it, that China was a good pupil of America:

Despite apparent differences, these two nations [America and China] have many common characteristics. China, with all its changes in governmental forms, has for four thousand years been fundamentally democratic. The Chinese people have long looked to America with admiration and friendship, and have turned to us for leadership and example in every phase of the sweeping changes they have made during the last thirty years. Chinese, trained in American universities or in American-supported colleges and universities in China, occupy a majority of the places of importance throughout China today.

The Price Committee’s “guilt” theory was added. Thus, Sino-American relations were explained as if America had betrayed China’s friendship when it had furnished Japan all the raw materials needed for her conquest of China. Without this American material help for Japan, the Japanese invasion of China “would probably have been completely halted.” Yet, America had refused to give adequate assistance to relieve this suffering. Thus, Sino-American friendship would fade away “unless constructive measures are taken without further delay.” In short, as a Christian and democratic nation, America should take responsibility for China’s distress.

UCR leaders uttered the most optimistic views of China. Blaine, the Chairman, had no background in China. However, he did not hesitate to praise China as a democracy. In March,
Blaine declared that UCR’s main purpose was to help the Chinese “to establish themselves as the first great independent nation in Asia with democratic objectives.”\cite{94} In a letter to the UCR campaign committee, he wrote: “The Chinese are surprisingly like Americans. They are brave and kind and honest, and they like a good joke almost as much as anything in the world. They are individuals above all. Democracy comes naturally to them for they have such freedom from rigid class barriers as to surprise even our democratic selves.”\cite{95}

Wendell Willkie became another enthusiastic spokesman for UCR. During his presidential campaign in September 1940, Willkie had expressed his impression of China that “our best ends will be served by a free, strong, and democratically progressive China, and we should render China economic assistance to that end.”\cite{96} In an address at the opening of the UCR campaign in New York, Willkie said that “I believe that in the perspective of history it [China’s war] will go down as one of the decisive battles in mankind’s long struggle fight for freedom and for a better life.” He referred to Chiang as “a truly great leader” and deplored the fact that China’s progress was halted by Japan.\cite{97} His support for UCR was not simply due to his affiliation with Luce or to his political calculation. Willkie, like many others, apparently harbored great sentimentality for China: “Ever since I was a boy I have had a sentimental feeling about China. That is why I have tried to help the drive.”\cite{98}

Bullitt also served as a speaker on behalf of UCR. At the time, he lacked employment in Europe.\cite{99} In a CBS radio address in March 1941, he declared that “the forces of Generalissimo Chiang Kai-shek are playing a vital role in the defense of all democracies, including our own.” Reminding his audience that Chiang had foreseen Japanese aggression since 1934, he termed Chiang “a great leader of a great people,” a leader who was trying to combine the best principles
of Confucius and those of Jesus, whereas the Japanese “had forgotten that the Chinese and Americans believe in the same moral code and speak the same moral language.” Celebrating the Chinese for their intellectual, physical and spiritual power, he also stated that no people had had a greater past and would have a greater future. At a UCR’s rally in Washington, D.C. in April, he declared that “the Chinese were fighting our battle on what is our Western front.” On April 27, Bullitt again delivered a radio address for UCR’s fund-raising activities. As usual, he emphasized China’s progress under Chiang’s leadership, a progress halted by Japan. “Every dollar that is given to bind up the wounds of a Chinese soldier,” Bullitt added, “is a dollar given to aid a man who by fighting the fight of his own country has been contributing to the defense of all democracies.” America had not helped the Chinese as they had done for America. Thus, he said, helping China was “giving back” and an effort for “self-defense.”

Garside voiced similar sentiments. In a speech in Richmond, he pointed out that America had not helped China much and was “for a long time inclined to view China’s struggle to defend herself with an air of detachment and pity.” The American people now realized, however, that “the Chinese people are holding the western ramparts for us and for the democratic way of life in the world.” Aware that a pure humanitarian appeal would attract only limited popular support, Garside tried to link China to America’s self-interests. First, he emphasized that China’s war was America’s by proxy. Secondly, America had to secure “the greatest potential market.” Finally, he warned that American apathy would possibly make China a future enemy: “But a China filled with hatred and bitterness toward us would be an incalculable threat to us and to all we prize most [Sino-American friendship].”

Pearl Buck’s celebration of China’s war on behalf of democracy reached its peak as she
affiliated herself with UCR. In a UCR speech in New York, she claimed that Western countries had failed to understand China’s war as a global struggle on behalf of all democracies. Her emotional indictment charged that the West had failed to appreciate that China, by her nature, was the purest and largest democracy of all. “If Western democracies fail to comprehend this fact,” she warned, “they will be the losers.”104 In a speech in Cleveland, she claimed that the Chinese had not used propaganda to elicit sympathy from other democracies, because they were too confident and democratic to do such a thing. “None of China’s secret victory,” she declared, “therefore, lies in clever propaganda, for of that she has none.” China was winning the war, she argued, “because the [democratic] spirit of her people is so strong.”105

Luce not only supervised UCR’s campaigns but also mobilized his powerful magazines in support of UCR and China. In 1941, the total circulation of *Time, Fortune, and Life* reached 3.8 million.106 When UCR began its national campaigns in April, *Fortune* carried extensive coverage entitled “The New China,” written by Theodore White and others, to emphasize that China was progressing toward modern democracy under the leadership of Chiang who “achieved the status of legend while still alive” as “an honest man.” Japan’s war on China was to break China’s “magic strides” under his leadership. China, a rural civilization, embodied a “democracy in its broadest sense - a way of living in which the individual is paramount.” Yet, this ancient rural democracy was being transformed into a truly modern democracy, and America, with its claim for the modernization of China, had responsibilities to help create the New China which would emerge after the global conflict.107 The next issue of *Fortune* discussed the huge potential of the Chinese market. Again, the emphasis was that “China is bent upon the creation of a new world” where “American-financed capital expenditure in China, whether public or private, could result
in one of the greatest expansions in human history.”

Luce’s own dream of Christianizing China was translated into his magazines’ habitual celebration of Chiang’s commitment to Christian faith. A Time editorial in April 1941 idealized the “Christian” leadership in China as follows:

Today England and America, no longer hated, are two Christian friends on whose support Christian Chiang Kai-shek is counting to free China from the non-Christian Japanese invaders. . . . In Chungking, the Christian leader of China rules with his Christian wife, aided by a Christian Finance Minister and a host of other Christian officials. . . . Mission universities are now backed by in every possible way so that they may train brains for the new China. . . . China is today the only great non-Christian state with a Christian head. The conversion of Constantine is not the only case where through political events Christianity has come into sudden power after long years of struggling growth. . . . Something not far different might occur in China. If anything should happen to bring the U.S. and Britain into active shooting war at China’s side, enthusiasm for their allies might make millions of Chinese receptive converts to Christianity.

In May 1941, Luce and his wife, Clare Boothe, visited China on behalf of UCR and cultivated their friendship with the “Christian” heads of China. Currie, working for CDS, helped facilitate Luce’s visit. In Chongqing, the Luces exchanged gifts and praise with the Chiangs. Back home, Luce recalled in Life magazine that “we had made the acquaintance of two people, a man and a woman, who, out of all the millions now living, will be remembered for centuries and centuries.” Luce directed numerous promotional events for UCR. Between December 1940 and December 1941, Luce himself made fifteen speeches on its behalf. His wife gave lectures containing messages almost identical with those of the typical Chinese propaganda of the day. In her speeches, the Chinese were “spiritual allies” and “fellow Christians” and the Chiangs were “the greatest married team in the world” with the exception of the Roosevelts.

Luce’s wife, playwright Clare Boothe, contributed a fictional dialogue that described her
journey of China to *Life* magazine on September 8, 1941. In this account, Boothe described how “the Sons of Han” struggled throughout history for their freedom from all disasters, including “the blood-stained Sons of Bushido.” While presenting the terrible reality for the Chinese people in modern history, Boothe compared Sun Yat-sen with George Washington and Chiang with Abraham Lincoln. She justified Chiang’s betrayal of the communists and other nationalist forces in 1927 by saying that “Chiang did not sell *out* to the Western Powers, but bought *in* with them in order temporarily to call them off a weak and backward China.” With regard to the problems for the peasants in China, she had an answer: “Today, in China, those who see only the land are still Communists. Those who have seen the vision of the Machine are Chiang Kai-shekists.” And she claimed to have seen in China that “the Machine was the only thing that could fill them [rice bowls] to over-flowing and save tomorrow, as it is helping today, to defend China.” Thus, she argued, Chiang was the best choice for the Chinese people.

Other pro-Chinese propagandists stepped up their efforts in affiliation with UCR. In 1941, they increased radio broadcasts to disseminate the image that China was a democracy by her own nature and under the impact of Western missionaries. Those like Frank Price and Hubert Freyn sent out such messages regularly. Naturally, the ideas and images held by the Price Committee and other China groups were incorporated in UCR propaganda efforts. The famous photo of Ping Mei, a Chinese baby crying at a Shanghai railway station destroyed by Japanese airplanes, had been widely used as a propaganda material by the Chinese government and the Price Committee. UCR reprinted this photographic image of Japanese atrocities in its materials. According to one estimate, this photo had already touched as many as 136 million people in 1938.116 In 1941, because of UCR’s propaganda, numerous merchandising items, ranging from
underwear to Christmas cards, were manufactured with Chinese images. In UCR’s printed propaganda, the Sino-Japanese conflict became an irreconcilable struggle between the forces of dictatorship and democracy, as the Chinese leadership had argued for years. As the Price Committee had done, UCR reproduced Chinese propaganda in American cultural contexts.

In 1940-1941, Luce himself donated nearly $60,000 for the cause of China relief from his own fortune and solicited a huge sum of money for UTC from others like Bernard Baruch. Luce’s Time, Inc. released a motion picture “China Fights Back” which Luce delivered to Chiang in November 1941. Luce also sent all Time subscribers a letter appealing for a fund supporting UCR, reminding the readers of America’s failure to help the Chinese who “have incorporated many of our own hopes and aspirations into their Republic, now battling for its life.” Yet, despite all the appeals, the actual amount UCR raised by December 10, 1941, amounted to $2,609,413.45, $723,093.52 of which was given to participating agencies and $1,886,319.93 to UCR itself. Including the donation not yet fully filed at UCR headquarters, the total amount was around $3,075,000.

Although UCR did not achieve its initial goal of $5 million, it did succeed in spreading its essential message among influential Americans: China was destined to become a great democratic ally of America. Life magazine on June 23, 1941, discussed UCR’s activities to publicize “many practical reasons why a democracy like the United States should try to help a democracy like China.” One practical reason for UCR was quite clear: “If the weary Chinese people did not feel that America stood behind them, they might have come to terms months ago with the weary Japanese.” By showing sympathy for China, Americans needed to keep Chongqing at war. However, UCR’s quite practical function, and perhaps most effective, was
that it provided entertaining events for rich and powerful Americans. Frequent luncheons and dinner parties, hosted by Chinese restaurants, were usually free. The magazine gave a glimpse of how the influential people were attracted to UCR events:

In early June, a group of important people dressed up in authentic Chinese costumes and went to a party Chairman Blaine gave for China at New York City River Club. Rockefellers, Lamonts, Morrows, Roosevelts gathered there, displayed their own getups and admired each others’, tossed darts at balloons on a board, and watched a Bourbon Prince balance a lighted candle on his head. Dean of the party was Mrs. Dwight Morrow who had the biggest headdress and wore the costume of a Ching dynasty lady in waiting. It was all very pleasant and warming. But it might have been almost disastrous if somebody had not discovered - and corrected just before the guests came - the mistake of the earnest but confused decorator who had hung the room with, of all things, Japanese lanterns.\textsuperscript{119}

Lavish entertainments were provided by Chinese hosts in the United States as well as in China. Soong and Hu Shih mixed with American celebrities at UCR parties. As in China, the Chinese who mastered English along with American customs continued to provide banquets and gifts, appeal for more aid, and express gratitude for the forthcoming assistance in advance. William Allen White, head of the Committee to Defend America by Aiding the Allies and a supporter of the Price Committee, recalled in his autobiography that these Chinese “gave to the foreign press - particularly the British, Americans, and the French - the most elaborate dinner I ever tackled.”\textsuperscript{120}

On behalf of China, UCR provided such lavish functions for American celebrities who in return heralded China’s road to “democracy.” In due course, UCR’s publicized views of China increasingly conditioned the perceptions of China among American celebrities.

**The State Department and the Issue of Aiding China**

UCR and Luce’s magazines did not advocate aid for China by suggesting new policies. In
fact, they rendered only mild criticisms, if any, of the administration’s reluctance to provide massive aid to China. Rather, *Fortune* magazine characterized Hornbeck as “ardently pro-Chinese” and argued that he and Hull were not “aberrant individuals who do not represent the U.S. electorate” who “still react to the ideals and values that animated John Hay.”\(^{121}\) In April 1941, *Fortune* wrote that America’s meager aid to China was justifiable in view of “the State Department’s very evident desire to keep Japan from making its final push to the south.”\(^{122}\) The magazine declared that aid to China was a matter of strategy, when it devoted nearly half of its September issue to articles under the head title, “China the Ally.” It admitted that U.S. aid to China was a security concern, not an ideological or humanitarian one:

> For the chronicle of history the matter is very clear: this is not aid to a country in need, charity on a cosmic scale. This is part of the search by the American people for their own well-being and security. Thus, although China’s moral claims may be as great as China’s bitter wants, the determinant of U.S. action is the needs of the U.S.; and any examination of the record of ‘Aid to China’ must be judged in the light of U.S. strategy in a troubled world.\(^{123}\)

The meager official aid for China was attributed to various factors, including the generally-low estimate of China’s strategic role. So far, only some U.S. personnel, like Fox and Lattimore, had been sent to China to help prepare for wartime cooperation. Yet, the magazine pointed out, “all these facts have been like a mist of tiny particles without form or coherence.” Aid to China was chaotic at best, and Washington showed a relatively heavy concern about the construction of the Burma Road, because of the strategic need to keep China fighting. However, “the Burma Road at its best cannot convey more than 30,000 tons a month, . . . it is estimated that it will take at least one million tons of goods to give China offensive punch.”\(^{124}\) In short, aid to China was not considered an option to help China defeat Japan. It was merely to support U.S. strategy to keep
China at war, while delaying an American war with Japan. Interestingly, Fortune in September characterized Hornbeck as the pro-Chinese force in the State Department fighting against the forces of appeasement led by Hamilton. This characterization was perhaps due to a desire to suggest that not all State Department officials were unsympathetic with the Chinese. Indeed, Hornbeck was less compliant with pro-Japanese stance than most others in Foggy Bottom. Yet, his attitude was not due to pro-Chinese sentiments. Hornbeck regarded China only as a temporary buffer for the West against Japan. In his view, U.S. aid to China should not be given to the extent of helping China win the war against Japan and thus become strong enough to resume her challenge to the West.

When Hornbeck submitted a confidential memorandum to Stimson in early June 1941 to urge a policy to protect the Western empire in Asia by augmenting military forces in Hawaii and the Philippines and by providing aid to the British Singapore and the Dutch East Indies, he briefly mentioned aid to China. Hornbeck’s main concern was “to cause Japan to withhold from hostile action against Britain and the United States.” The worst scenario imaginable was that the United States “may be faced with war in both the Atlantic and Pacific, with the British Empire collapsed.” His fear was that “strategic plans contemplate the abandonment by the United States of the Far Eastern theatre,” because the loss of the Far East was considered to be “serious but not fatal” but the loss of the Atlantic, “fatal.” He agreed that America should focus on the survival of Britain and Western Europe first: “If the Atlantic is lost all the raw materials in Malaysia will be of no avail. If the Atlantic is lost, the Pacific is also lost.” But his point was that the British and Dutch empire in Asia should be simultaneously protected by the United States. In that context, he argued, “China is being aided to the extent justified by the general situation.” Yet, he did not
specify how to aid China, because he thought that China had received sufficient aid from Washington.

In commenting on Hornbeck’s proposals, Stimson questioned whether China had, in fact, gotten enough aid from America. He pointed out that America had bought silver from China “not in pursuit of this Government’s ultimately adopted policy of ‘aid to China’ but in pursuit of this Government’s general silver purchasing policy,” which “at the outset injured rather than aided China.” By suggesting statistical data, he pointed out that, between 1938 and 1940, “this country supplied to Japan approximately four times as much goods as we supplied to China” and “the dollar value of petroleum and petroleum products that we supplied to Japan was almost equal to the total dollar value of all products that we supplied to China.” Referring to U.S. exports to China and Britain during 1940, Stimson pointed out that “we supplied to Great Britain (the United Kingdom) approximately thirteen times as much goods as we supplied to China,” though China had been fighting for more years. Furthermore, Stimson indicated that “at the present moment the score on Lend-Lease aid stands at somewhere between 98 and 100 units for other countries, principally the British Empire and particularly the United Kingdom, to each one unit for China.” In Stimson’s view, America had failed to give aid to China corresponding with her strategic role. Thus, he criticized Hornbeck in a roundabout manner as follows:

Mr. Hornbeck has held and repeatedly expressed the opinion that, toward serving the general objectives of United States foreign policy and the particular objective of restraining Japan from new courses of or steps of aggression, investment in aid to China will give greater return on small outlay than will any other investment. The Chinese have been making comparatively effective resistance to Japan for four years. . . Toward ensuring maintenance of the Chinese will and capacity to continue their resistance, it is, in the opinion of the author of this memorandum, not only desirable but essential that the flow (deliveries) of materials from this country to China be rapidly increased in amount.
In his view, the decision to provide aid to China would not affect Japan’s next move or precipitate war with Japan. Rather, reluctant and inadequate aid would simply increase China’s bitterness against America. Without assurances of more substantial aid for China, future Sino-American relations would become rocky. Stimson’s comments inspired Hornbeck to gather statistical data on U.S. trade with China and Japan from the Department of Commerce and compose a letter which he showed to Hull on June 12. However, he did not suggest a new policy to aid China.

State’s Far Eastern Division understood China’s grave financial situation but maintained that America had helped China graciously and that all of China’s economic troubles were due to inefficient administration. Its essential assumption was that China was hopeless and American aid and advice for China would be wasted. Thus, any aid to China might be important only as a short-term measure to help supplement American dealings with Japan. Ambassador Gauss shared this view and dismissed long-term aid to China which would help reorganize China’s economy. Thus, he wrote to Hull that America could join the Anglo-American economic mission for China, which was requested by the Chinese and supported by the British, “if only to show solidarity in an Anglo-American attitude of assistance to and sympathy for China.” For such a mission “would have but limited effect on the [Chinese] financial and economic position,” even though “China’s financial and economic position is most unsatisfactory.” His concern was not to help the Chinese but to keep China at war. Thus, he suggested that Washington might provide “outright financial aid to keep the [Chinese] Government operating and to keep China in a state of continued resistance to Japan.” Unlike Currie, Stimson, and other “friends” of China, the State Department did not envision that America should help build a “New China.”
Yet, criticism that America had neglected or underestimated the importance of China was increasingly echoed in the American press as criticism of State Department “appeasement.” Criticism was not necessarily inspired by particular American friends of China. The accumulated anti-Japanese sentiments, magnified by Japan’s affiliation with the Axis and the inclination to see China as a buffer against Axis expansion, made many observers of Asia feel that the administration’s policy toward East Asia was ineffective. In April and May, *The Nation* criticized the State Department for concealing information on embargoed items and sarcastically pointed out that Roosevelt’s placement of oil on the export license list in 1940 was “a meaningless sop to [public] sentiment for oil embargo.”¹³² In an article of *Fortune* of June 1941, Edgar Snow condemned Hull for contradicting himself by allowing the exportation of war supplies to Japan while claiming that he had opposed Japan’s aggressive policies from the beginning. Snow pointed out that the State Department had no reliable policy:

> Is it indifference or hypocrisy or simply stupidity, then, that causes Washington to continue to permit the exportation to Japan of materials necessary to build the airplanes that carry the bombs to the Burma Road, there to destroy the trucks and planes that the U.S. supplies to China to resist aggression?¹³³

In addition to a complete embargo against Japan, Snow suggested countering Japan’s propaganda “to induce a receptive attitude toward the New Order in Greater East Asia inside the skulls of the races of brown men,” by voluntarily abrogating the unequal treaties with China, as Germany and the Soviet Union had done long before, and signing a pact with China to keep her away from Pan-Asianism, and disarming Japanese nationals in the United States. Treating China with respect had become a matter of global strategy, because further alienation of China might result in the demise of the Western presence in Asia. The *New Republic*, which had opposed official
embargoes against Japan and official aid for China for fear of their results, turned to argue in December 1940 that “America should deny as much war materials to Japan as possible. . . . [because] today the Japs are falling back and China’s chances are good, provided she gets adequate Anglo-American help, which seems certain.” By July 1941, the magazine declared: “let us recognize that in ‘aid to America’ no country has done more than China” and “let us give our warmest thanks to China for having fought our battle as well as her own through four long years.”

Interestingly, in many minds, the embargo issue was tightly linked to the issue of aiding China, as the embargo issue had been publicized by pro-Chinese forces for several years. Many viewed support for an embargo against Japan as a reward for China’s four-year war against Japan or as an expression of American sympathy with China. Opinion surveys showed popular endorsement of economic sanctions against Japan. A Gallup poll in August 1939 had indicated public opinion approval of an arms embargo against Japan stood at 82%. That rate had gone over 90% by October 1940. American friends of China took these statistics as a means of pressing the State Department to act against Japan. However, as has been indicated, the administration’s decision on the embargo against Japan had little, if anything, to do with aiding China. It centered on saving Western colonies in Asia. The debacle over the imposition of embargoes on trade with Japan in mid-1941 illustrated the gap between the strategic considerations and the popular characterization of the embargo issues. In Washington, again, the embargo issue was subjected to a long-drawn bureaucratic war within the administration.
Pressures for the Restrictive Measures on Exports to Japan

In April, Morgenthau had renewed his insistence on the imposition of a complete oil embargo against Japan and the freezing of Chinese and Japanese assets in America. According to Treasury statistics from the previous year, America was supplying about 93% of Japan’s total oil imports, of which aviation gasoline and lubricating oil accounted for only 4%. Thus, the embargo on the export of aviation gasoline to Japan in September 1940 had no substantial effect. Rather, Japan’s purchase of U.S. gasoline up to 87 octane increased dramatically after that embargo. Ickes became a staunch advocate along with Morgenthau against what he called “Goddamn the Department of State.” After being appointed Petroleum Coordinator for National Defense on May 28, Ickes, together with Morgenthau, energetically pressed Roosevelt to adopt a complete embargo against Japan. On June 4, in an effort to forestall Hull’s opposition, Morgenthau suggested to Roosevelt a plan “of putting Hull on the [Supreme] Court and making Stimson Secretary of State.” Ickes even offered his resignation as Petroleum Coordinator in protest when Roosevelt admonished him for too much interfering with State’s matters. These pressures on Roosevelt mounted when Hull left Washington to rest in West Virginia late in July, but the President took no such steps against Hull.

Hull, the administration’s main advocate of free trade, had never liked the idea of an embargo. Moreover, he had never supported any openly anti-Japanese policy. Rather, with Roosevelt’s permission, he had since April been secretly conducting negotiations at his apartment with Japanese Ambassador Nomura Kichisaburo to achieve a short-term compromise with Japan. Nor did any other State officials consider the embargo against Japan as a reward for China’s resistance. Their approval of the trade license system of the National Defense Act or the
resultant trade restriction of exports to Japan had little to do with any consideration of its impact on Sino-American relations. It was intended to secure strategic materials for national defense or to take such materials from other regions before Japan or Germany took them. Yet, a trade embargo could be a diplomatic card to warn against Japan’s move to the south. As in 1940, however, any announcement of such a measure might be issued only when or after Japan actually took action. Thus, it would never be a policy primarily aimed to forestall Japan’s moves. Hull and Hamilton would resist the mounting pressures for an oil embargo to the end, because they thought that such a measure would only encourage Japan to move into the Dutch Indies and therefore increase possible American involvements.

The British had called for a comprehensive U.S. trade embargo, if not a complete one, on key exports to Japan since November 1940, but the State Department refused to respond. On July 16, 1941, Hornbeck still lacked a definite answer for the British Ambassador: “I could give no indication as to when the American Government might act or how comprehensively.” Yet, he said that the State Department “has its mind made up in principle.” What concerned him was the fact that “the Japanese had made specific demands upon the French and had set a time limit, July 20, for reply.”

Thus, Hornbeck suggested to Welles, now the Acting Secretary, on July 19 that a further restriction of exports to Japan, together with a freezing of Japanese and Chinese assets in the U.S., be simultaneously announced upon Japan’s action in Indochina on July 20. Yet, again, it was not necessarily designed to impose a comprehensive embargo against Japan but to give a diplomatic warning of possible stronger actions to follow. On July 24, Roosevelt, Welles, and Morgenthau finally agreed to take action, and Roosevelt issued an executive order the next day to freeze Japanese and Chinese assets in the United States. The July 26 press release stated
that the order was intended, just as the order of June 14 which had frozen European assets, “to
prevent the liquidation in the United States of assets obtained by duress or conquest, and to curb
subversive activities in the United States.” Also, the U.S. government “extended the freezing
control to Chinese assets in the United States . . . in accordance with the wishes of the Chinese
Government.” Yet, since it was necessary to keep Sino-American trade intact, the Treasury
Department was authorized to exempt the Bank of China, the Central Bank of China, UTC, and
CDS from the freezing order by issuing general licenses to them.

The order, in principle, could block all financial transactions and all trade between the
U.S. and Japan. Also, the export of oil, gasoline, and oil products to Japan might be subjected
to “specific” licenses without public announcement. On August 1, Roosevelt ordered the Export
Control Office to widen regulations over oil products. All high octane gasoline and crude oil was
banned. No shipments could go outside the Western Hemisphere, but low-grade crude oil and
some other oil products could be purchased in “normal” amounts. However, Japanese purchasers
of U.S. products had to receive not only an export license from the State Department but an
exchange license from the Treasury Department through the State-Treasury-Justice Department
Joint Foreign Funds Control Committee to pay for the products. Under Morgenthau’s policy,
Treasury refused to issue licenses on oil exports to Japan and monitored the flow of Japanese
funds outside America. As a result of the Treasury’s actions, a full-scale embargo on all trade
with Japan was realized in the following months. Hull had returned to office on August 4, but he
had not realized that Morgenthau, aided by Assistant Secretary of State Dean Acheson, had
imposed a complete embargo by refusing to release funds for Japan even to buy items already
licensed by Export Control. He learned of these facts from Nomura the following month. By
then, it was too late for Hull to reverse the policy.

In the meantime, the demand for economic sanctions against Japan had become an irreversible element in American opinion. From February through September 1941, the Gallup poll showed a steady growth in public support for America’s tough policy toward Japan, even at the risk of war. In February, 39% approved such a tough policy, while 46% disapproved. In September, 70% approved, while only 18% opposed it.\textsuperscript{150} A \textit{Fortune} survey of October 1941 indicated that 59.5\% of Americans favored sending China military supplies and only 21.2\% opposed.\textsuperscript{151} Some magazines and papers did not stop to criticize the administration’s timid stance toward Japan even after the freeze of Japanese assets. For the increased need to keep China at war, they linked the decision of ending trade with Japan to the issue of aiding China. In August, \textit{The Nation} even called for an organized campaign against the State Department:

The forces of appeasement are as strongly intrenched in the State Department as ever. . . . It is important that the greatest possible pressure be brought to bear for an embargo on all materials to Japan because the President committed a historic blunder when he told civilian-defense volunteers we had to sell oil to Japan to keep it from seizing the Dutch East Indies. This translates bitterly into Chinese, for it says that we were content to fuel the bombers that mangled China’s children as long as Japan kept out of the rich imperialist preserves in the Indies. . . . We have been supplying two-thirds of Japan’s oil. . . . Machine tools were on the first list of articles placed under license in July of last year, but in March of this year we sent Japan more than $1,000,000 worth of machine tools. . . . There is no way of knowing what has happened to our exports to Japan since March. Neither State Department nor Export Control has ever given out the details. . . . A nation-wide fight must be organized against this most vicious kind of secret diplomacy.\textsuperscript{152}

Later, during and after the Pacific War, economic sanctions against Japan in 1941 were often portrayed as a manifestation of American sympathy with China or as a sort of reward for China’s “War of Resistance.” In fact, China was more or less a convenient excuse for hawkish supporters of anti-Japanese measures. Yet, as Chapter IV has pointed out, it was civilian supporters of China
that provided the rationale of concrete anti-Japanese measures and constantly evoked them in an effort to change American public opinion. Most Americans, including governmental officials, responded to the information and discussions originated by them. And resultant public opinion was a main pressure upon the State Department in 1941. Years later, the War Department gave the following analysis of the Japanese attack on Pearl Harbor:

> Our public opinion had changed against Japan faster than preparations for war could be made. This left the Department of State with the most difficult task of negotiation without means of enforcing its views by force of arms. It likewise left the War and the Navy Departments unable to fully support the State Department in its negotiations. This led to a compromise solution, due to this public opinion as expressed by the press, in the form of a resort to economic sanctions. . . . At most, our national policy was one of defensive character while waiting for the preparations for war to catch up with the new stage of the public mind that Japan should be made to behave herself and that our Government should do something about it.\textsuperscript{153}

American opinion against Japan was not equivalent to American sympathy for China. However, anti-Japanese opinions by 1941 were stimulated by the efforts of American friends of China to publicize the issues of the Sino-Japanese conflict. China’s four-year war against Japan had aroused U.S. public opinion to the extent of supporting embargoes against Japan. This was recognized by a State Department memorandum.\textsuperscript{154} On the other hand, as suggested, State’s policy until 1941 had been little to do with helping China.

**Pressures on the State Department’s Negotiations with Japan**

A final test of U.S. policy toward the Sino-Japanese conflict was involved with the State Department’s negotiations with the Japanese, talks pursued by Hull and supported by Roosevelt. Hull’s policy of “doing-nothing” was evident in this case. He never proposed an acceptable
formula for the Japanese, while asking the Japanese to withdraw from their “New Order” and from the Axis alliance and to withdraw all Japanese troops from China except for Manchuria. Although in his memoirs he denounced Japanese duplicity, based on the information that he had gotten from a secret decoding system known as MAGIC, and claimed that he had made determined efforts to defend China during the negotiations, Hull simply tried to buy time as the Army and Navy had asked. Thus, when Nomura suggested a summit conference between Roosevelt and Konoye in which Roosevelt was personally interested, Hull nullified it, partly because he wanted to keep East Asian issues under his own domain and resented Roosevelt’s exclusion of him at the Atlantic Conference in August. The desperate Konoye, while trying to accept Hull’s proposals in principle, was replaced by War Minister Tojo Hideki in mid-October. In November, over Hull’s “doing-nothing” policy, the Far Eastern Division of the State Department began seeking a temporary agreement with Japan, while the Japanese delivered their final proposals for a peace between America and Japan. As usual, Hull encouraged neither Japanese proposals nor those of his subordinates, and suggested, in essence, no plan at all.155

Meanwhile, criticisms of the State Department’s negotiations with the Japanese mounted in and out of America. The Chinese conveyed their complaints about Hull’s negotiations directly to Roosevelt through Currie. As early as September, Currie warned the President of China’s “anxiety concerning our negotiations with Japan” which would result in “irreparable damage to the goodwill we have built up in China over a long period of years.”156 Chiang, who had often threatened Roosevelt with a Sino-Japanese peace, now became nervous about a U.S.-Japanese peace. Yet, the American press increasingly saw Hull’s negotiations within the context of Sino-American friendship. In September, the New Republic argued: “Under no circumstances should
we make any bargain that implies a lessening of our aid to China.” *The Nation* argued: “We cannot believe that they [Roosevelt and Hull] will go so far as to sell out China on Japanese terms.” China’s friends were mobilized to emphasize Sino-American solidarity. *Collier’s* published the articles by W. H. Donald, advisor to Chiang, and Harry Yarnell which cheered China’s victorious morale against Japan. *The Reader’s Digest* of November carried Pearl Buck’s overly sentimental argument: “They [Chinese] are people like us, in a country more like us than any other, fighting the same war that England and Russia fight. They are brave, heroic, too proud to press us, but they look to us with all their eager, suffering hearts. Their cause is our cause. It is the fight of free peoples against the ruthless forces of fascism.” *The New Republic* on December 1, 1941, declared that “China has become a full belligerent on the Allied side in everything but name. To treat her as anything less, after the size of her contribution and the extent of her sacrifice, would be nothing short of betrayal.”

The State Department did not yet produce any policy. On November 8, Hamilton was still recommending to Hull that the U.S. should “avoid taking any action at this time which could be construed by Japan as a new and express warning.” When Ballantine submitted to Hull a proposal for Japan on November 11, he recommended him to do nothing substantial. Instead, he emphasized that “by presenting a proposal of this sort, we should make clear on the record our effort to do everything possible to reach a settlement with Japan.” On November 18, Hull was still making vague remarks about world peace and denouncing Japan’s aggression when he talked with Japanese representatives. When asked by the Japanese what Japan should do to meet American terms practically, Hull said that he “could only leave it to Japan the question of what Japan could do.” Now, anticipating Japan’s final proposal, the Far Eastern Division attempted
to overcome the Secretary’s pointless approach. It took Morgenthau’s proposal for resolving America’s Far Eastern problems, submitted to the State Department on November 17, as the basis of its final proposal to the Japanese. Morgenthau’s proposal had originated in the memo written by Harry White in June, which criticized Hull’s negotiations with the Japanese for their “19th century pattern of petty bargaining . . . to hide the essential barrenness of achievement.”

White had suggested that, for a long-term solution to Far Eastern problems, America build a new structure of international relations by addressing Japan’s grievances and China’s needs. In essence, he argued that America should stop its economic and naval threats to Japan and accept Japanese immigrants, while helping reconstruct China as a strong, independent economy free from foreign privileges. On November 19, Hamilton suddenly recommended that Hull take the “most careful consideration” of Morgenthau’s proposal: “I think that the proposal is the most constructive one which I have yet seen. I have shown the proposal to all of the senior officers of FE, and all of them concur in that view.” Those in charge of the nation’s East Asian policy suddenly found a proposal suggested by another department months earlier most constructive when Japanese-American relations had already reached a breaking point. On November 20, the Japanese submitted their final proposal on a *modus vivendi* in which America should restore a normal trade relationship with Japan in return for Japan’s withdrawal from Indochina. But the Morgenthau proposal was significantly modified by the Far Eastern Division which produced a final draft for Hull in which none of White’s original suggestions were contained. It actually removed all diplomatically-agreeable provisions, and made it an ultimatum which asked Japan to give up almost everything, including Manchuria, that she had acquired since 1931.
Unaware of the content of the State Department’s final proposal to Japan, Chiang protested the possible *modus vivendi* through all diplomatic channels. In a letter to Soong on November 25, Chiang instructed him to deliver the strongest possible protest against it, pointing out that all the stories about the expected compromise between America and Japan had broken Chinese morale and made the Chinese people feel betrayed by America. And the collapse of their morale and their loss of faith in democracy would result in “a most tragic epoch in the world.”

Churchill also issued a strong protest. The British formally informed Washington that Japan’s proposal was “clearly unacceptable.” Morgenthau told Soong that he had prepared a personal letter to Roosevelt in which he strongly warned the President of “selling China out.” Hull, however, felt otherwise. During his conversation with the anxious Hu Shih, Hull, referring to Washington’s intention to relieve pressures on the Burma Road by a *modus vivendi* with Japan, complained that “Chiang Kai-shek ignores that situation which we have taken care of for him.”

On the next day, however, he gave America’s ultimatum to Nomura and ended the negotiations. According to the *New York Times*, Chinese protests “may have played a part in stiffening the American position.”

In retrospect, it appears that the State Department, under Hull’s leadership, failed to activate any positive proposal for American policy toward East Asia or to respond to any such proposal suggested by others. State’s approach seemed to have irritated all the parties involved. Neither China nor Japan appreciated its policy, which lacked any vision or concrete plans for a workable solution in East Asia. After all, a series of quite reluctant and passive piecemeal responses to outside pressures characterized the State Department’s policy to 1941. The fact that the Far Eastern Division used Harry White’s memorandum in June as the basis of its hurriedly-
constructed and farfetched plan to deal with Japan indicates that it had prepared no solid Asian policy itself. It is not surprising that other cabinet members challenged State’s leadership in foreign policy and interfered with its handling of foreign affairs, and that the Chinese became increasingly bitter against American policy. As some American supporters for China had repeatedly warned in 1941, China’s anger and distrust of American policy would cause troubles in Sino-American relations during the Pacific War.
Notes

1. Currie’s note, March 14, 1941, Currie Papers, Box 1.

2. Lemuel Schofield, Special Assistant to the Attorney General, to Rajchman, March 18, 1941, Soong Papers, Box 31.

3. A memo of the Far Eastern Division of the State Department, May 29, 1941, FRUS (1941), V: 652-53.

4. Soong’s report on China’s estimated requirements, March 27, 1941, Soong Papers, Box 31. Soong wanted all the 1,000 planes to be procured by mid-1942. In his report to General James Burns of the War Department, Soong wrote that China had 480 pilots ready for a combat mission and 450 additional pilots would be ready within a couple of months. He added that China needed over 350 American technical assistants for the Chinese air force, including 200 additional “flying instructors.” Of course, Soong asked for the necessary weapons and fuel for such operation. He stressed “a regular sustained flow of materials and supplies” because “[s]poradic shipments of equipment or half measures can result only in disappointing results and the prolongation of hostilities with the continuing danger of Japanese aid to the Axis.”

5. Special Assistant to the Secretary of State Lynn R. Edminster’s memo, March 27, 1941, FRUS (1941), V: 617-19.


7. Currie to Madame Chiang, April 1, 1942, Currie Papers, Box 1. Currie informed Madame Chiang that a tentative Lend-Lease agreement with China was “to model it as closely as possible on the British agreement.” On the AVG, he wrote that the “First Chinese Student Pilot Group” was being well trained in America. With regard to the stabilization loan that had been announced and not yet procured, he assured Madame Chiang of “no problem of securing dollar exchange.”

8. Soong to Frankfurter, April 17, 1941, Soong Papers, Box 29.

9. Ibid.

10. However, in a letter to Soong on February 27, Chiang instructed him to pursue a flexible position in handling the stabilization committee. One option was, on the basis of American proposals, that China would organize a single committee with Britain and the U.S. with headquarters in Chongqing and a branch office in Shanghai where the Shanghai exchange market survived in the International Settlement. The other was that in case of the British opposition to the U.S. plan, China would organize two separate committees, one with Britain and the other with America. The Sino-British committee would take care of the Shanghai exchange market and the Sino-American committee would reside in Chongqing. Chiang promised to Currie that Chen,
as Currie had requested, would be appointed chairman of the stabilization committee. See Chiang to Soong, February 27, 1941, Currie Papers, Box 3.

11. Treasury Meeting, April 21, 1941, Morgenthau Papers, Box 390: 73-77; Treasury Meeting with the Chinese, April 21, 1941, Ibid., Box 390: 121-40.


14. Currie to Roosevelt, April 23, 1941, Currie Papers, Box 5.

15. Chiang to Currie, April 25, 1941, Ibid., Box 1.

16. Young, *China and the Helping Hand*, 188-92. Fox, however, was in support of the freezing of Chinese and Japanese assets in the Western world, as requested by the Chinese.

17. Madame Chiang to Currie, November 5, 1941, Currie Papers, Box 1.

18. A memo to Gauss, October 6, 1941, Morgenthau Papers, Box 450: 365-66; Gauss to Hull, October 14, 1941, Ibid., Box 450: 363.

19. A memo of Headquarters of First American Volunteer Group, undated, Chennault Papers, Box 4. William Pawley of the Intercontinental Corp. was in charge of recruiting and managing volunteers on behalf of CAMCO.

20. Soong to CAMCO, May 1, 1941, Currie Papers, Box 2.


23. A CDS record on office personnel, May 7, 1941, Soong Papers, Box 28; Bonnevalle to Chu, May 19, 1941, Ibid.

24. Wertenbaker, “The China Lobby,” 5; Willauer was recruited by his colleague Youngman in July. See Biographical notes, Whiting Willauer Papers, The Seeley G. Mudd Manuscript Library, Princeton, NJ.

25. Rajchman’s note, September 29, 1941, Soong Papers, Box 8.


27. Soong’s letter to PEI (code name), May 20, 1941, Ibid., Box 28.
28. Soong to Tong, July 9, 1941, Ibid., Box 1; Soong also sent a letter to C. C. Chen of China’s National Resources Commission and other high-ranking officials in Chongqing, asking them to provide best assistance to Alsop on his way to India. See Soong to Chen, July 19, 1941, Ibid., Box 31.


30. Currie had informed Hull of his use of the separate code system on May 3. See Currie to Hull, May 3, 1941, Currie Papers, Box 5.

31. Chiang to Soong, June 1, 1941, Ibid., Box 3.

32. Gauss to Hull, July 24, 1941, FRUS (1941), V: 684.


34. Hornbeck’s memo, July 30, 1941, Ibid., V: 689.

35. Currie to Madame Chiang, September 18, 1941, Currie Papers, Box 1.

36. Soong to Chennault, August 19, 1941, Chennault Papers, Box 2; Chen to Chennault, October 4, 1941, Ibid.

37. Currie’s note, May 3, 1941, Currie Papers, Box 2. According to Chennault’s message to Currie on May 26, a 1926 act permitted the President to allow U.S. military personnel to serve in Latin America and the Philippines when requested. Although China was not included in this act, Chennault claimed that the act could be a safe legal ground for dispatching American pilots to China. See Chennault to Currie, May 26, 1941, Ibid., Box 2.


40. Soong’s report on China’s estimated requirements, March 27, 1941, Soong Papers, Box 31. Soong pointed out that at least 250 fighters had to be equipped with air-cooled engines rather than with a liquid-cooled engine, for they had to serve sustained long-range combat missions. But the P-40's that China was supposed to receive were equipped with liquid-cooled engines. Thus, he argued, China could not support sustained offensives against Japan.

41. Hopkins to Currie, May 6, 1941, Currie Papers, Box 1.

42. Currie to Hopkins, May 22, 1941, Ibid., Box 1.


44. Marshall to Currie, June 16, 1941, Morgenthau Papers, Box 421: 366.

46. Currie to Roosevelt, June 21, 1941, Currie Papers, Box 2. According to Currie’s confidential letter to Assistant Secretary of War John I. McCoy on July 30, about 60 pilots had been hired for their service in China. Currie requested McCoy to help issue a letter to commanding officers in Hawaii and other places mentioning the need to help facilitate their travel to China. He added that the President had approved the Chief of Staff’s recommendation that a selected number of Chinese pilots receive advanced training in America. See Currie to McCoy, July 30, 1941, Ibid., Box 2.

47. A copy of Chiang’s telegram, July 8, 1941, Morgenthau Papers, Box 419: 382.


49. Rajchman’s memo, August 12, 1941, Soong Papers, Box 8.

50. In addition, Soong wrote: “In the fourteen months which have followed not a single plane sufficiently supplied with armament and ammunition so that it could actually be used to fire has reached China.” See Soong to Donovan, August 16, 1941, *FRUS* (1941), V: 705-07.


52. FDR to Soong, August 20, 1941, Soong Papers, Box 8.

53. Currie to FDR, September 11, 1941, Currie Papers, Box 2.

54. Roosevelt to Stimson, September 13, 1941, Ibid., Box 2. According to Currie’s memo to Roosevelt on October 30, only 60 American pilots were in China and 24 additional pilots were arriving at Rangoon. The last of the P-40’s arrived in Rangoon on July 22. Currie also urged FDR to make America’s commitment to China public. See Currie to Roosevelt, October 30, 1941, Ibid., Box 5.


62. Currie to Hopkins, October 27, 1941, Currie Papers, Box 1

63. Notes on U.S. Lend-Lease transfers, assignments, and total munitions production, July 23, 1942, Ibid., Box 5.

64. Soong’s memo, April 21, 1942, Soong Papers, Box 31.

65. The American Bureau for Medical Aid to China (ABMAC) was formed under Madame Chiang as its Honorary Chairman and Colonel Theodore Roosevelt, Jr. as its National Chairman in September 1937 to send medical supplies for distribution in “free” China by the Chinese Red Cross. The American Committee for Chinese Industrial Cooperatives was formed on September 1, 1940, under Harry E. Yarnell as its Chairman to raise funds for China’s 3,000 local workshops called industrial cooperatives which had begun to help assist China’s industrial and refugee reconstruction in August 1938. In January, 1941, when Yarnell resigned from the chairmanship to resume his duty in Washington and Richard J. Walsh, editor of Asia magazine and Pearl Buck’s second husband, took the position. The Associated Boards for Christian Colleges in China were reorganized to support $10 million of physical assets and $7 million of endowments for Christian colleges in China, eleven of which had been relocated as a result of Japanese occupation of China. The China Aid Council was set up shortly after the outbreak of Sino-Japanese conflict in 1937 to provide aid for China’s war orphans and refugees. A similar organization, the American Committee for Chinese War Orphans, was formed in 1938. In July 1940, both organizations combined their efforts under Mrs. James Roosevelt, FDR’s mother. In China, Madame Chiang was in charge of directing war orphanages. The China Emergency Relief Committee was inspired by Pearl Buck and a thousand women philanthropists in July 1940 to raise funds for ABMAC. Buck invited Mrs. Franklin D. Roosevelt as its Honorary Chairman and sought to raise $1 million for the distribution of medical supplies for Chinese war victims. The Church Committee for China Relief was formed in 1938 by the Federal Council of Churches of Christ in America, the Foreign Missions Conference of North America, and China Famine Relief, U.S.A., Inc. It was the official agency of the Protestant Churches in America to provide aid to Chinese civilians through the established churches in China. In China, the American Advisory Committee in Shanghai which composed of American missionaries and businessmen in China would distribute funds. John Earl Baker, appointed as Commissioner of the Chinese Government in charge of the Burma Road in 1941, was in charge of technical advice of the Church Committee in China as well. See “Outline of United China Relief, Inc.,” April 2, 1941, USC Papers, Box 19; A copy of “The Purposes and Program of United China Relief” sent to Hornbeck from UCR headquarters, undated (1941), Hornbeck Papers, Box 418.


67. Garside was an Oklahoma-born educator who had gone to China in 1922. In 1926, he returned to the United States to become Secretary of the China Union Universities Central Office (later, in 1932, renamed as the Associated Boards for Christian Colleges in China). See A biographical note, Ibid., Box 82.
68. Later, Garside wrote a biography of Luce’s father.


70. Garside to Luce, January 10, 1941, Ibid., Box 7.

71. “Outline of United China Relief, Inc,” Ibid., Box 19. The participating agencies maintained their own organizations and campaigns, however.

72. Blaine was president of the Marine Midland Trust Bank and had no background in China; Barnett had worked for YMCA in China and currently was General Secretary of the National Council of YMCA in the United States. He was also a member of the American Advisory Committee of China Famine Relief, Inc, a member of the Federal Council of Churches, and a trustee of a couple of Christian colleges in China; Lamont, Rockefeller, and Hoffman were famous businessman, and Selznick was a Hollywood movie producer; Sproul was president of the University of California. See Biographical notes, Ibid., Box 82; “The Purposes and Program of United China Relief,” Hornbeck Papers, Box 418.


74. Barnnett to Julean Arnold, August 15, 1941, Ibid., Box 5.


78. W. A. Swanberg, Luce and His Empire (New York: Charles Scribner’s Sons, 1972), 176-79.

79. Luce to Hu, February 14, 1941, Hornbeck Papers, Box 281.

80. In a letter to Garside on April 16, 1941, Barnnett referred that the State Department had listed 313 relief organizations for belligerent countries, mostly for the British and other Europeans, with a total contribution of $26,806,718.16 between September 6, 1939, and February 28, 1941. China reliefs were not included in this list because the Sino-Japanese conflict was officially an “incident.” See Barnnett to Garside, April 16, 1941, USC Papers, Box 5.

81. Barnnett to Garside, April 21, 1941, Ibid., Box 5.

82. Jespersen, American Images of China, 49-50.
83. For instance, Hornbeck appeared at a UCR’s dinner party on June 18, where Luce, Willkie, the retired Nelson Johnson, and New York Governor Lehman gathered together to urge UCR campaigns. In this dinner party, Willkie declared that “If China does not have the help of the United States it may collapse under the Japanese onslaught or succumb to communism.” See New York Times, June 19, 1941: 12.

84. “Report to the Annual Meeting of UCR,” undated (probably December 1941 or January 1942), USC Papers, Box 5.

85. A biographical note, Ibid., Box 83.

86. Luce and Swift to Blaine and others, April 14, 1941, Ibid., Box 7.


90. Ibid.


92. A statement from UCR, undated (1941), USC Papers, Box 54.

93. Ibid.


95. Blaine to UCR members, September 12, 1941, USC Papers, Box 58.


97. Ibid., March 27, 1941: 12.

98. Ibid., June 12, 1941: 18.

99. In 1940-1941, Bullitt’s prestige in the administration declined, as the President increasingly relied more on Welles than on him about European matters. In late 1940, he was relieved of his diplomatic duty. In April 1941, having failed to restore his position by attempting to pull down Welles on his homosexual behavior, Bullitt broke with Roosevelt. See Gellman, Secret Affairs, 231-41.

100. Bullitt’s radio address, broadcast by CBS, March 20, 1941, Soong Papers, Box 20.

102. Bullitt’s radio address, broadcasted by CBS, April 27, 1941, Soong Papers, Box 20.

103. “China Must Have Our Help - Now,” Garside’s Speech at Richmond, Virginia, undated (Autumn, 1941), USC Papers, Box 6.


105. “The Secret of China’s Victory,” Buck’s speech in Cleveland, Ohio, July 10, 1941, quoted in Ibid., 130, 143-44.

106. Jespersen, American Images of China, 12.


110. Currie to Tong, April 24, 1941, Currie Papers, Box 1. Currie also seemed to use a direct channel of communications with Tong through a Chinese named Chi, whom he told McHugh as K. P. Chen’s man. See Currie to McHugh, April 25, 1941, Ibid., Box 1.


113. Quoted in Jespersen, American Images of China, 53-54.


116. Ibid., 55, 204. The photography of Ping Mei was taken in late August 1937, and was distributed originally by a Chinese photographer working for Hearst’s News of the Day in order to publicize the terrible impact of the Japanese aerial bombardment on Chinese civilians. Life magazine estimated that this photo was seen by 136 million people worldwide by late 1938. See Daqing Yang, “War’s Most Innocent Victim,” Media Studies Journal, 13: 1 (Winter 1999): 18.

117. Luce to Time subscribers, November 8, 1941, USC Papers, Box 7.

118. Most of the funds came from Northeast and the Pacific Coast. See “Report to the Annual Meeting of UCR,” Ibid., Box 5.


126. Hornbeck’s memo for the Secretary of War, undated (late May or early June, 1941), Hornbeck Papers, Box 401.


128. Ibid.


130. For example, George Atcheson of the Far Eastern Division suggested his senior officers to stress a point to Hu Shih and Soong that America had furnished aid to China “in every way that is appropriate and practicable,” while warning that “it would be in our opinion most unfortunate if Chinese leaders should become overconfident or complacent and as a result should relax the magnificent efforts which they have . . . put forth in resisting armed attack upon their country.” See Atcheson’s memo, February 13, 1941 (revised on March 6), *Ibid.*, V: 609-10. Joseph M. Jones of the Far Eastern Division submitted a study of China’s financial situations in mid-April. In this, China’s total budget in 1940 was C$6,179,000,000, of which only C$703,000,000 was from tax revenues and the rest C$5,476,000,000 was financed by the issue of new notes. Jones concluded that China’s financial and economic situation would be serious. However, China’s troubles were attributed to the incompetence of H. H. Kung and “the inefficiency of the internal administration in China.” Thus, a U.S. economic mission to China, requested by Chiang through Currie, would have limited effect. See Jones’s memo, April 14, 1941, *Ibid.*, V: 622-28.


135. Ibid., 105: 2 (July 14, 1941): 40.


137. Within the State Department, Hornbeck, Herbert Feis, chief of the Division of Economic Affairs, Joseph Green, chief of the Division of Controls (which controlled the export of restricted materials including munitions), and Charles Yost, Green’s assistant, were generally in favor of sanctions against Japan. Other non-State officials, Morgenthau, Ickes, Stimson, Knox, Russell Maxwell of the Export Control Office (which was an independent agency created by the National Defense Act to handle export license), William Y. Elliott, a consultant for the National Defense Advisory Commissions (which was a domestic wartime mobilization agency created under the National Defense Act), and others were also in favor of embargoes against Japan, especially on oil. See Utley, Going to War with Japan, 95, 120, 132.


140. Morgenthau’s note, June 4, 1941, Morgenthau’s Presidential Diary, Morgenthau Papers, 932.

141. Ickes, The Secret Diary, 559-66.

142. Hornbeck’s memo, July 16, 1941, FRUS (1941), IV: 831.


144. Roosevelt, however, assured State and Navy officials that the freeze would not result in a total embargo. See Utley, Going to War with Japan, 153.


146. New York Times, July 26, 1941: 4; Ibid., 27, 1941: 18. A few other Chinese financial agencies were allowed to receive a general license to conduct imports and exports freely between China and the outside world including the United States. In addition, the Chiangs, Kungs, and Soongs had deposited their money in American banks.

147. In fact, Treasury was able to stop exports to Japan in any circumstance. Thus, although “licenses are granted for exports to Japan, Treasury may also license the debiting of blocked accounts belonging to Japan to pay for such exports.” See Memorandum of Policy on the Freezing Control Order, July 25, 1941, Morgenthau Papers, Box 424: 269.


149. Utley, Going to War with Japan, 153-56.


156. Currie to Roosevelt, September 13, 1941, Currie Papers, Box 5.


164. Quoted in Utley, *Going to War with Japan*, 170.

165. Morgenthau’s memo to the State Department on November 17, which was drafted originally by White, called for “an all-out diplomatic approach in the current discussions with the Japanese.” This memo called for comprehensive revision of East Asian policy to insure Japan and China of their strategic and economic security, including the reduction of U.S. naval forces in the Pacific, the revision of immigration restrictions on Asians, the enlarged trade with Japan, the abrogation of the unequal treaties in China, a long-term non-aggression pact with Japan, the withdrawal of all foreign troops from China and elsewhere, and other positive measures. See Morgenthau’s memo, November 17, 1941, *FRUS* (1941), IV: 606-13.

167. Utley, Going to War with Japan, 170-73.

168. Chiang to Soong, November 25, 1941, Soong Papers, Box 3.

169. The British embassy to the State Department, a copy in Hull’s memo, November 25, 1941, FRUS (1941), IV: 655.


171. Hull’s memo, November 25, 1941, FRUS (1941), IV: 653.

172. New York Times, November 30, 1941: 17. According to this newspaper, other reports from China indicated that Chiang had refused to meet with German representatives who were seeking a negotiated peace between Tokyo and Chongqing.
Conclusions:  
A Useful Instrument of Diplomacy

The “New China” that American friends of China hoped to see following World War II never emerged as they had hoped it would. Instead, China became America’s new adversary and Japan America’s new ally in East Asia within a ten-year period. During the Pacific War, disillusionment with China began to supersede the hopes for a new China, as many Americans came to realize that China was not fully cooperating with the United States. In a *New York Times Magazine* article in November 1943, Nathaniel Peffer, a long-term observer of China, spoke out that “each [America or China] blames the other for not living up to the illusion built up on her.” He pointed out Americans’ blind applications of their ideals to China:

> It is an unfortunate fact that a considerable number of Americans who have lived in China are inclined to be incontinently sentimental about the Chinese. . . . Those Americans who like to describe themselves as ‘friends of China’ can sometimes be extremely silly. China became a country endowed with more than human qualities. It was a democracy pure and Jeffersonian, its leaders selfless, statesmanlike being consecrated to the spread of liberty, every peasant guerrilla a boy on the burning deck.1

Criticism of China’s dictatorship, corruption, and inefficiency was now spreading as disillusioned backlash. On the other hand, Peffer pointed out, the Chinese had become increasingly critical of America because they “took the words [in American publicity] at the value of their meaning.”2 Disappointed by reluctant and partial American actions falling short of their rhetoric, the Chinese blamed Americans for doing nothing for China.

Referring to Peffer’s article, B. A. Garside, Executive Director of UCR, wrote in a letter to his friend that China had been over-sold in America, admitting that UCR had unconsciously consumed Chinese propaganda: “We have had to depend on second-hand reports, each of which
may have been propaganda rather than any undistorted facts.”3 To Winston Churchill, even top U.S. officials, including Roosevelt, held such distorted images of China, as he recalled in his memoirs: “I had found the extraordinary significance of China in American minds, even at the top, strangely out of proportion.”4 A growing divergence of American opinion on China developed into a serious controversy on Chiang’s struggle against his domestic foes in the postwar years. Peffer became a staunch critic of Chiang and opposed further American aid to him, while Garside, however disappointed, remained supportive of Chiang against the Chinese Communists. Some China experts who worked closely with key officials or accepted the State Department’s version of Chinese affairs followed Peffer’s stance, while those affiliated more closely with the GMD’s authorities or with UCR (United Service to China after 1945) and other propaganda agencies remained largely in defense of Chiang.

The increasing American disillusionment over China during the Pacific War was a reaction to obvious signs that Chiang’s campaigns against Japan were far from effective. Chiang virtually stopped active war against Japan, despite repeated promises to Americans. To placate him and pave the way for a positive postwar relationship, wartime Washington authorized a $500 million stabilization loan for China and decided to abrogate the unequal treaties and extraterritorial privileges in China. Not surprisingly, American lip service for China as a democratic ally reached its peak in 1943. Yet, Chiang did not seem appreciative. He responded to American gestures of goodwill by sending his American-educated wife to the United States to satisfy Americans with her lip service to Sino-American friendship. Meantime, in China’s Destiny, a book issued first in 1943 among GMD officials, Chiang blamed the West rather than Japan for China’s historical ordeal, declaring that the unequal treaty system “constitutes a
complete record of China’s national humiliation.” Still more, he warned against the “copying of Western theories,” because it would cause only “the ruin and decay of Chinese civilization.” He seemed equally unappreciative of the Open Door policy:

Although the ‘Nine Power Treaty’ established the principles of the ‘Open Door’ and ‘Territorial Integrity,’ the specific abolition of privileges specified in the unequal treaties, such as the recovery of concessions, the abolition of extraterritorial rights, and the withdrawal of foreign garrisons, were either vetoed or postponed. . . . Moreover, the principles of the ‘Open Door’ and ‘Territorial Integrity’ only deepened the indolent psychology of the Chinese people and increased their dependence upon foreign countries, since they now felt confident that China would not be partitioned.  

His frequent identification of China’s future with American ideals may have been simply for propaganda. Owen Lattimore found in Chongqing that the Chinese tended to call Americans the biggest hypocrites and imperialists when they talked among themselves. This Chinese attitude, appreciating American aid publicly while denouncing it privately, was initially unknown to American supporters of the “New China.”

Judging from this Chinese backlash during the Pacific War, one may conclude that the State Department had accurately assessed Chinese behavior and thus was correct in its early assessments that it was unnecessary to support China for reasons other than geopolitical necessities. Washington’s policy of minimizing American involvement in the Sino-Japanese conflict seemed far-sighted, because it did not succumb to the unlikely expectations of China’s future development. As expected by some experts, China underwent a chaotic process of internal disputes in the 1940’s, only to turn to communism and condemnation of the West. China, it seemed, had primarily been valued as a short-term tool to counter Japan’s expansionism. After all, it would have been less costly for Washington to make Japan a future partner after its military
subjugation than to build up China as a stable modern state against all predictable odds. In this context, State’s policy of confining China’s value to geopolitical concerns during the 1930's and 1940's seemed most logical.

However, one can also question whether or not the State Department created and expanded Chinese grievances by maintaining a myopic and apathetic policy toward China before Pearl Harbor. As this study has suggested, the State Department stuck to old versions of the Open Door policy that ignored China’s potential as a sovereign player in international politics. Rather than seeking any policy based on the positive prospects of China’s future role, it merely tried to delay the inevitable troubles in Asia with a series of piecemeal measures. Thus, although China begged for help and advice for years by promising a “New China” of democratic values and practices, an expression of her loyalty to Washington in future international relations, she was repeatedly rejected and humiliated by the State Department. Even after being forced by events in Europe and Asia to “ally” with China, American officials continued to seek a way to handle China with verbal exhortations rather than tangible, long-term commitments to her future development. China’s distrust of the U.S. during and after the Pacific War was very likely a backlash against this pre-Pearl Harbor American attitude.

As China’s leverage increased during the Pacific War, however, the Chinese began to pressure Washington to dismiss U.S. officials critical of the Chinese government. The Chinese and their American friends seemed to have learned how to exercise calculated pressures on targeted decision-makers. As Roosevelt became increasingly distrustful of the State Department and used personal envoys with greater frequency, the Chinese and their friends sought to influence the administration’s personnel and procurement policies. As early as May 1942, Clare
Boothe Luce visited Assistant Secretary of State Adolph Berle to suggest the replacement of Ambassador Clarence Gauss with a pro-Chinese man like Harry Yarnell and to expedite Lend-Lease procurement for China. Gauss was China’s one main target, because he was increasingly critical of China’s cessation of the war against Japan and her misuse of Lend-Lease supplies.

China’s next major target was General Joseph Stilwell, the American commander of the China-Burma-India theater and George Marshall’s protégé, who proved quite controversial. By September 1943, T. V. Soong, now China’s Foreign Minister, had secured Hopkins’s promise to persuade the President to recall Stilwell as well as Gauss. Skipping over Hull and Hornbeck, he also dealt with Hopkins on most critical Sino-American issues, including a summit meeting between Roosevelt and Chiang. Soong was now able to bluff Hull and Hornbeck who, as usual, reminded him that they had helped the Chinese so graciously. However, Chinese attempts to influence U.S. personnel policy caused far-reaching consequences. By the end of 1944, Gauss and Stilwell were replaced by Patrick J. Hurley and General Albert Wedemeyer, a fact which damaged American relationship with Chiang’s government in the long-term. Reflecting Chiang’s views, the new Ambassador, Hurley, denounced the State Department and resigned in protest against it after the war. However, Marshall, the staunch defender of Stilwell and other critics of Chiang, headed a significant mission to China in 1946 and later became head of the State Department during years that proved critical to American relations with Chiang. It was in the course of these events that pro-Chiang supporters began to accuse the State Department of “betraying” China.

Although it appears that the Chinese and their friends attempted to challenge some of Washington’s policies regarding China, their activities were not considered as illegitimate or
threatening as some would suggest in later years. In a letter to Welles on April 1, 1943, when Soong’s influence in Washington was at its height, Hornbeck made the following comments on his conduct of diplomacy:

It is notorious that Dr. Soong is given to conducting affairs in the manner of a ‘loner’; that he neither consults nor informs other agencies in regard to matters of business which he finds himself capable of conducting without their assistance. If the American Government chooses to do business with him directly rather than through the accredited Ambassador of China to this country or the accredited Ambassador of this country to China, this Government by implication encourages him, in my opinion, to proceed in exactly the manner in which it appears that he has proceeded in this case.11

Hornbeck, however, expressed his opinion that “there is nothing in this case that need worry us or that calls for action,” because “Soong apparently informed his Foreign Office and the Chinese Government has taken the action which was appropriate in the premises.”12 Soong’s lobbying activities in Washington, Hornbeck observed, were neither tightly-organized nor conspiratorial in nature. And the China Lobby as a whole remained largely at a level of disorganized and sporadic attempts to influence on U.S. policies for years. Thus, one of the earliest newspaper analyses of the China Lobby, which appeared in April 1950, characterized it as follows:

However, that such a thing as a ‘China Lobby’ exists is indisputable in the minds of most observers. But rather than being a tight and tangible conspiracy of possible sinister intent, it is, more accurately, a loose conglomeration of persons and organizations which for various reasons are interested in China.13

After World War II, the Chinese continued to seek further U.S. aid to Chiang through lobbyists. Yet, few of so-called China lobbyists remained devoted supporters of the GMD’s cause, and the majority of them were either enthusiastic individuals or anti-communist ideologues who had no strong ties to each other. As individuals, they had few common grounds or motives to bind them together organizationally.14 Rather, they relied on the wave of political events and the resultant
public opinion in the United States to sustain and strengthen their views.

In March 1960, Hornbeck reviewed Ross Koen’s controversial book, *The China Lobby in American Politics*, which analyzed the origins of the China Lobby and emphasized the Lobby’s extraordinary influences on American foreign policy and American politics. Hornbeck plainly dismissed it as “an interesting interweaving of facts, fictions and opinions,” inspired by the author’s “preconception, bias and political concern [for the Democratic Party].” 15 Although he had been at the center of the State Department’s policy toward China from the 1930’s through the mid-1940’s, Hornbeck had avoided the postwar China Lobby’s attack. Throughout those years, he had taken a middle ground, encouraging aid to China by gestures and rhetoric and yet restricting it within the scope of the adopted policy. 16 Yet, his disagreement with Koen’s view was indicative of the fact that the China Lobby was neither strong nor successful.

As this study has tried to demonstrate, the China Lobby grew out of a series of efforts by the Chinese, assisted by their American friends, to change the State Department’s hand-off policy toward China and secure Washington’s long-term commitments to China in the 1930’s. For China’s part, it began as a desperate, rather than a deliberate, option. As China increasingly relied on U.S. aid in her struggle against Japan, she had to lobby unwilling U.S. officials for financial aid and convince the American people of China’s value by propagating new images of China. The desperate nature of this early China Lobby was illustrated by the simple fact that the central government in China was by no means capable of managing negotiations with Washington on equal terms. Therefore, while its wartime capital was literally “penetrated” by Americans, its lifelines to Washington, such as UTC and CDS, were organized primarily on American terms. Likewise, its financial agents in Washington shared their government’s top secrets with
American officials and deposited most of their operational funds in American banks. So did they operate outside regular channels, not so much because they were able or willing to do so but because they had to comply with the conditions set by officials in Washington who preferred to avoid embarrassing diplomatic engagements with China and yet take commercial and strategic advantage of China’s war against Japan behind the scenes.

In other words, although desperate at the beginning, China’s lobbyists were increasingly accepted in Washington as useful instruments of secret diplomacy before Pearl Harbor. Thus, the growth of the early China Lobby coincided with that of Washington’s policy of supporting China’s war against Japan. Its pattern was conditioned by the discordant East Asian policy of the Roosevelt administration. The President’s carefree attitude, his preference for a diversified policy-making process, and his secret amusement at rivalries among his subordinates unnecessarily complicated the administration’s East Asian policy. Although Hull’s State Department was the proper vehicle to deal with China, Roosevelt allowed Morgenthau, Jones, Currie and others to prepare their own China programs and challenge Hull, without giving final authority over China policy to any of them. Inspired by the Silver Crisis, Morgenthau’s “dollar exchange” program on China altered the administration’s China policy in which transactions with China went through non-regular channels of diplomacy. His program, backed by Jones, developed into a larger scheme to finance China’s war against Japan through trade agencies in 1938. By 1941, his program was supplanted by Lend-Lease under Hopkins and Currie. China’s trade and financial agencies in the United States grew after 1938, because Washington utilized them as conduits to finance China’s war against Japan without jeopardizing U.S. diplomatic positions in Asia. From Washington’s point of view, such agencies as UTC and CDS were
organized to keep China as a buffer for the West against Japan’s expansion. In the meantime, these agencies became the hotbeds of activity for the China Lobby in America.  

Likewise, China depended on her American friends for propaganda, and Washington used them as means of encouraging China’s war against Japan. However, whereas financial lobbying was supervised by American officials and therefore restrained by various elements within the U.S. government, propaganda had few constraints in the United States. Pro-Chinese American propagandists had free access to the American public, and the State Department used them as substitutes for meaningful official aid to China. Ironically, these propaganda efforts became the main source of the China Lobby’s influence in later years, because they sowed the seed of moral indictments of Washington’s inaction toward China. Prior to Pearl Harbor, China had gained popular sympathy through Americans whose missionary morality and journalistic talents combined Chinese causes with an elaborate set of humanitarian ideals. The idea that China was “betrayed” or victimized by the U.S. government’s policy originated as early as 1938 in their criticism of the U.S. sale of war materials to Japan. The problem was that their vision of China’s future was not actively supported by the U.S. government, which rather reinforced their postwar contention that the U.S. government had neglected helping China. Thus, after the war, China relied increasingly on the residual illusions of a “New China” among these American sympathizers to compensate for her diminished strategic value.

The China Lobby in the postwar years derived its manpower and ideas mostly from former American activists for the Price Committee, UCR and other relief agencies. They employed the same propaganda tactics that had been used against Japan before Pearl Harbor, although their major enemy had shifted from the Japanese to the Chinese Communists. They still
claimed to fight for a “New China,” whose ideals were America’s, against a common ideological foe. Again, they were identified as American lobbyists active in an American cause with their membership limited to American citizens, and their mission devoted solely to American interests. Again, they argued that the U.S. government was responsible for not helping enough in the development of a democratic and Christian China. What became most pronounced in their postwar contentions was the charge that the State Department was guilty of betraying the American commitment to China. Previous studies of the China Lobby have viewed this charge mostly in the context of the “loss” of China issue. As this study has suggested, however, this charge had a deeper origin, as it was dormant in Chinese attitudes during the 1930's. In the 1940's and 1950's, American friends of China, perhaps unwittingly, heralded China’s past grievances.

This study has reviewed the lobbying and propaganda activities in Sino-American relations during the 1930's and early 1940's to demonstrate that such activities had been once useful instruments of diplomacy in Sino-American relations. This study also suggests that key aspects of Sino-American relations during the 1940's warrant further examinations. One may question what was the real source of America’s hand-off policy toward China to the late 1940's. Was it merely a culmination of the China policy of the previous decade? Or, did the State Department at one point during the Pacific War genuinely embrace the vision of building a “strong, democratic” China and yet have to “abandon” it during the postwar years because of the negative prospect of the Chinese Civil War? This study strongly suggests that Washington’s announced rhetorical aim to help create a strong, democratic postwar China during the wartime alliance was probably no more meaningful than the popular vision of “New China” during the prewar period.
In addition, this study suggests that such factors as administrative rivalries, personalities, and personal ties may have affected the policy-making process to a great extent throughout the 1940's, as the competing agendas of China policy within the Roosevelt administration had been for years perpetuated not so much due to differing policy options but because of the President’s administrative style and personal rivalries among his subordinates. Morgenthau and Hull provided the major example. In this respect, one can also question whether such crucial decisions as the recall of Stilwell in 1944 and Marshall’s policy of limiting aid to Chiang after 1947 can be explained in terms of personal ties and struggles for administrative control rather than specific policy recommendations. How these “non-policy” factors were intertwined with the fundamental line of U.S. policy remains an interesting question for further studies. In the end, however, this study has tried to demonstrate that these non-policy factors had helped to inspire a China Lobby in the years preceding Pearl Harbor.

In sum, this study contends that the China Lobby, in its origins, was a product of the Roosevelt administration’s policies toward the Sino-Japanese conflict before the Pacific War. Because it served as a means of secret diplomacy, it was not revealed for years. For the same reason, its value depended on the mutual needs of secret diplomacy between America and China, or more precisely between the Roosevelt administration and Chiang’s regime. Its fate, however, was much more dependent on America’s needs than on China’s. Thus, it became a solid force only when Washington’s needs to use Chiang were rapidly growing during the immediate prewar years. The U.S. commitment to Chiang came in 1941 and remained seemingly durable during the first years of the Pacific War. However, when Chiang’s value to Washington dissipated with the end of the war, the GMD struggled to hold on and extend the wartime commitments. Yet, no
longer viable as a catalyst for mutual needs, the China Lobby became all but an embarrassment to
the U.S. government. Although enmeshed in the issue of the Chinese Civil War, the postwar U.S.
China policy was essentially to return to its hand-off stance. Yet, the bankrupt GMD had no
viable leverage to stop it. Therefore, the China Lobby desperately held out against the State
Department, the bastion of America’s hand-off policy toward China, by accusing it of betraying
American commitments to China. Yet, whatever its long-term outcome was, the China Lobby
had once been a key element in Sino-American relations, because, before Pearl Harbor, it served
not only as a necessary instrument of diplomacy but also as a catalyst for the mutual needs of
America and China. It was a prime example of using, albeit for short-term goals, financial agents
and publicists as tools of diplomacy when secrecy was required under the circumstances.
Notes


2. Ibid.: 40.


5. Chiang Kai-shek, *China’s Destiny & Chinese Economic Theory* (New York: Roy Publishers, 1947), 44, 233, 299. Philip Jaffe, who attached a commentary to the book, points out that this book was written under the influence of so-called C-C clique, the most reactionary faction within the GMD. However, according to a Treasury Department correspondence, this book was written by a man named Tao, a former Beijing University professor, whose personal views were anti-Western. See The Committee on the Judiciary, *Morgenthau Diary*, vol. 2, 901-02.


8. Memo of conversation between Berle and Mrs. Luce, May 5, 1942, Hornbeck Papers, Box 281. She did this at the request of her friend, Madame Chiang. Yet, Hornbeck commented that her statements “sound very much like certain recent utterances of Madame Chiang Kai-shek: they consist of an admixture of truth, half-truth, heresay account and horseback judgment.” See Hornbeck’s memo, May 7, 1942, Ibid., Box 281.

9. Soong’s notes, April 22, 1942, Soong Papers, Box 29; Soong’s notes, April 23, 1942, Ibid.; Soong’s notes, May 4, 1942, Ibid.; Soong’s notes, September 5, 1943, Ibid. Hopkins also accepted Soong’s proposal that China be formally represented at the Combined Chiefs of Staff and at the Munitions Assignment Board. About the Stilwell issue, Hopkins promised to Soong that he would persuade Roosevelt and Hull with “all the political implications.” See Soong’s notes, September 17, 1943, Ibid., Box 29.

10. Hornbeck opposed China’s representation at the Combined [Anglo-American] Chiefs of Staff, suggesting that China could not be possibly regarded as equal to Britain in American perspectives and that “our military chiefs are very confident that the war will be won in fact by themselves alone.” Yet, Soong retorted to Hornbeck adamantly: “Do you want China in or out? . . . if you reject it, the responsibility for consequences will not be ours. It is my duty to warn you of the facts.” This attitude illustrates that Soong’s main negotiating partner at the moment was Hopkins. See Soong’s notes, September 22, 1943, Ibid., Box 30. Thus, Soong strongly asked Hornbeck to recommend a prompt recall of Stilwell, complaining that Stilwell, in contrast to
Chennault, was “an obstacle to effective cooperation.” See Hornbeck’s memo, September 28, 1943, Hornbeck Papers, Box 86.

11. Hornbeck to Welles, April 1, 1943, Hornbeck Papers, Box 86.

12. Ibid.

13. Cabell Phillips, “Is There A China Lobby?,” *New York Times*, April 30, 1950: E7. This letter was inspired by Joseph McCarthy’s allegation that the State Department, influenced by pro-communist elements in it, had deliberately mismanaged foreign policy toward China. As major China lobbyists, this letter identified Alfred Kohlberg, a textile trader and leader of the American China Policy Association; William J. Goodwin, a paid publicist of the GMD; Frederick C. McKee, a Pittsburgh businessman and leader of the Committee to Defend America by Aiding Non-Communist China; David B. Charnay, a paid publicist for the Bank of China; Walter Judd, former missionary and a House Representative from Minnesota; William H. Knowland, Republican Senator from California; Kenneth Wherry, Republican Senator from Nebraska; Styles Bridges, Republican Senator from New Hampshire; such Chinese officials as Soong, Kung, Wellington Koo, Chen Chih-mai, and others staying in the United States.


16. For instance, Hornbeck, as a retired official, refuted Nathaniel Peffer’s argument for ceasing aid to Chiang in February 1949, by expressing his opinion that the U.S. should not be guilty of an inconsistent policy to aid Europe while dismissing China in the fight against communism. See *New York Times*, February 20, 1949: 18.

17. Until after World War II, UTC and American branches of the Bank of China continued to function as key financial and trade agencies on behalf of China. CDS was dissolved after the war and became absorbed into China’s banking and trade agencies under Soong and other Chinese officials. Out of CDS, Alsop, Bullitt, Chennault, Roy Howard and Whiting Willauer continued to lobby for China’s needs. Several known paid lobbyists - William J. Goodwin, Lester Knox Little, John William Fleming, David B. Charnay, and Charles M. Cooke - were affiliated with agencies funded by the GMD or the Bank of China. See Koen, *The China Lobby*, 31-45. According to the first congressional survey of the China Lobby in 1951, UTC was registered under the Foreign Agents Registration Act of 1938 as a foreign lobbying agent only after 1946. Other registered lobbying agents for the GMD included the Allied Syndicates, Inc., a subsidiary of the Bank of China; the Chinese Petroleum Corporation; the Chinese News Service and the Central News Agency; and several other cultural and publicity institutions. See “The China Lobby,” *Congressional Quarterly, Weekly Report*, 942.

18. The real strength of the China Lobby lay not in registered lobbying agents but in voluntary groups, like the Price Committee and UCR, which were identified purely as American civic organizations. The most active postwar organization was the American China Policy Association,
founded in July 1946 by J. B. Powell, the godfather of American journalists in China, and Helen Loomis, former secretary of the China Information Service (CIS). Alfred Kohlberg, a New York businessman and a former member of the American Bureau for Medical Aid to China, served as vice president and became a staunch critic of the State Department through his magazine *Plain Talk* (*The Freeman*). Clare Boothe Luce replaced Powell as the chairman in 1947. Walter Judd, Geraldine Fitch, Freda Utley, and other former publicists for China joined the organization. Frederick C. McKee, a Pittsburgh industrialist and former member of the Price Committee and the Committee for a Boycott against Japan, established the China Emergency Committee in March 1949, after Chiang had resigned from presidency for communist victories in North China. McKee also founded the Committee to Defend America by Aiding Anti-Communist China. James Blaine, William Donovan, Charles Edison, Clare Boothe Luce and George A. Fitch joined this group. By 1953, Judd, Kohlberg, McKee, Garside, and others launched the Committee of One Million Against the Admission of Communist China to the U.N. in affiliation with some members of Congress. See Bachrack, *The Committee of One Million*, 11-27, 51-81; Koen, *The China Lobby*, 51-53; Wertenbaker, “The China Lobby,” 12-15.

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