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DECLASSIFICATION OF WWII RECORDS

SINO-JAPANESE INCIDENT (1937)

Correspondence of C-in-C, Asiatic

Admiral H.E. Yarnell, U.S.N.

UNITED STATES ASIATIC FLEET

U.S.S. AUGUSTA (Flagship)

OO/jse

Shanghai, China

27 September 1937

My dear Hepburn:

We have been in rather close contact with part of the Japanese Navy for the past six weeks and I am giving you my impression formed from watching their operations for what they are worth.

VESSELS

The vessels operating at Shanghai belong to the "Third Fleet," which is under the command of Vice-Admiral Hasegawa. He was Naval Attache in Washington once and I think was present at one of the Disarmament Conferences. You may know him. He is about 53 years old, very able, and has been quite reasonable to deal with.

The vessels composing this Fleet are cruisers and destroyers. No 10,000 ton cruisers. Quite a number of the big 1800 ton destroyers with 6 -5" guns are here. They are rather formidable looking vessels of their type and I am glad we have some good ones to meet them.

The flagship is the ancient cruiser IDZUMO.

The ships are dirty but look business-like.

They have had little time for cleaning, and the decks are well provided with sandbags as protection against snipers.

PERSONNEL

The officer personnel in the higher positions are much younger than ours which will be a decided asset in time of war. The Japanese officer impresses me as usually of good physique, stolid, able to endure much fatigue, and well trained in the duties of his grade.

The enlisted men are the same.

During the past six weeks these vessels have been operating up and down the Whangpoo River, mooring to buoys, going alongside docks, etc., and as far as I know there have been no

casualties, outside of some bent screws, dented sterns, etc. I would say they were good ship handlers and good seamen.

They train under much more adverse conditions of sea and weather than we do, which may be a factor.

They also in peace time drill day and night. A Japanese officer told one of ours a couple of months ago that their men liked to drill but did not like to polish brightwork.

They have been working for several years on the principle that the Japanese Navy had to make up for its lack of ships by increasing the efficiency of the personnel. An excellent principle.

GUNNERY

There has been a great amount of gun fire from their ships against shore objects, but there is no means of determining how accurate it is. They know all about indirect fire judging from their work here. I would estimate that their accuracy of fire in a naval action would be good to very good, basing this opinion on their other characteristics.

Bemis (Naval Attache in Tokyo) tells me that he believes their fire control, etc., is little if any inferior to that of other navies. They have a great number of inspectors and spies abroad who get practically all the information about foreign systems, and soon place it into use on their own ships.

AVIATION

Their aviation is distinctly inferior to ours. A few of our well trained squadrons would drive their planes out of the air and their ships out of the river in a short time.

The naval planes have done a great amount of bombing of shore objectives, but there is no means of determining its accuracy.

Their airmanship is good. They have a small one way field near the Shanghai Power House and our observers have seen as many as 70 planes land and take off in a short space of time. These were carrier planes, and were fitted with hooks showing that they have adopted our arresting gear.

They are bombing objectives (Hankow) 450 land miles from Shanghai. They can easily reach Manila from Taiwan and will when that time comes.

I have heard that five years ago the Japs put up a very poor show with what planes they had. I would label their present show "good," and they have a large number of naval planes, carrying out bombing attacks all the way from the Yangtze valley to Canton with carrier and shore-based planes. So in five years the evidence indicates that they have come a long way in aviation, and in view of their industry and persistency this improvement will continue. Their training area around Japan offers much worse weather conditions than ours around San Diego, which should be kept in mind.

We have a good lead now, I believe, in both materiel and personnel, and should not lose it.

Aviation in naval war is going to play a more predominant part as time goes on. We should have a carrier for every two cruisers for our long distance screens and raiding forces, and carriers for the battleships to get their planes where they belong. Planes on cruisers are a makeshift; these planes should be on carriers which would be one element of a cruiser-carrier division.

Anti-aircraft Fire

We have had a considerable number of A.A. exhibitions. The principal casualties have been non-combatants.

After having had our ships bombed a number of times, orders were given that fire was to be opened on any planes attacking us. Then I discovered that some of our powerful units like the FINCH, etc., didn't have any guns! Of course I admit that the Commander in Chief should know whether his ships have any guns on board or not, but them's the facts.

The moral of what I have seen here is that, - first, every ship should have a lot of A.A. guns, 5" 50 cal., 30 cal., and second, the individual ships or force should know how to use them to the best advantage against large numbers of aircraft. This is a difficult problem but well worthy of much study and practice to find an answer.

RADIO

My radio people tell me that the radio work of the Japanese ships is very good to excellent.

LANDING PARTY

The Navy has now a landing force ashore of 15,000 men under command of a rear-admiral. When the Army arrived, they were placed under its orders. They have the proper uniform for a landing party.

SPECIAL LANDING EQUIPMENT

For the landings in the Yangtze River above Woosung there were plenty of special landing boats available. They evidently had them all ready before the trouble started.

SUMMARY

In a naval war with Japan her adversary will find herself opposed by an efficient navy of good ships and well trained personnel. This personnel will be young enough and physically able to stand the strain of a long campaign. The higher command will be thoroughly familiar with the strategic and tactical handling of a fleet by means of radio, campaign and operation orders.

The endurance of the ships, gunnery, and aviation will be good to very good.

Their plans have all been worked out with great detail, and they will carry them out if not interrupted. The interruption is the adversary's task!

Very sincerely,

H. E. YARNELL

Admiral A.J. Hepburn, U.S.N.
Commander-in-Chief, U.S. FLEET
U.S.S. PENNSYLVANIA, Flagship
San Pedro, California

cc: Admiral Leahy
Pres. Nav. War College

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UNITED STATES ASIATIC FLEET

U.S.S. AUGUSTA (Flagship)

jse

Shanghai, China
4 January 1938

My dear Thomason:

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With reference to the Japanese Army, I have no decided opinions. As far as equipment and ability to mobilize and move large numbers of men, they are undoubtedly good. After the beginning of the trouble they transported to North China and the Shanghai area five or six hundred thousand troops in about three months.

In Shanghai they began showing up with troops in considerable numbers about twelve days after the beginning of the fighting. Major operations in this area were not expected by them, so it could not have been planned beforehand.

When they landed up the Yangtze River at Liuho they had ready about seventy or eighty special landing boats for this operation. They must have been built in peace time and ready for use. When I think that we have been mulling over the problem of a special landing boat for a number of years and haven't any yet, the Japanese seem to have something on us there. When the landing in Hangchow Bay took place they had eighty or ninety small craft of the fishing boat type which were brought over for the operation. As for transports, we have noted at Shanghai numbers running over four hundred. Of course their problem of transporting troops and having on hand the necessary type of material for landing operations is simplified by the fact that the problem of the War Office in Tokyo has been a very definite one. Also, the War Office has been able to get the money for any type of material which they considered necessary. They have large numbers of merchant vessels suitable for a campaign against China and these can be taken over by the Government of course at any time.

It is fairly well established that in the beginning of the hostilities, they sent their best troops to Manchuria, and still have them there awaiting an attack by Russia. The troops sent to the Shanghai area were mostly reserves.

As for their fighting ability against first class troops, I cannot believe that any troops who look as dumb and brutal as these troops do could stand up against any well trained European or American force. I would take the Chinese every time for material, because I believe he is more intelligent and besides he has a sense of humor, which is totally lacking in the Japanese.

The Chinese troops which put up the fight around Shanghai were their best trained divisions, and if they had had adequate artillery and aircraft, they would have driven the Japanese back to their transports.

As you have probably read in the papers, the younger officer element has shown up strongly in this area in the shape of such people as Colonel Hashimoto, who carried out the firing operations on the British gunboats at Wuhu. The looting, killing, and raping at Nanking showed a lack of control over troops which is rather surprising and which is a cause of worry to General Matsui.

The latter was brought out of retirement to command the troops in this area, as he had always been a Chinese specialist and an advocate of Pan-Asia. It is reported that he has not much control over his younger officers. The march through the Settlement was opposed by him but was forced on him by his younger officers.

This state of affairs where the Foreign Office at Tokyo has no control over the Army and Navy and the senior officers of the Army have no control over the younger officers makes the situation a rather dangerous one as far as foreigners are concerned. It also makes any statements given out by the Foreign Office as to future policy in China practically worthless, since that policy will be dictated by the officers in the field.

One shocking feature about the campaign around here has been the indiscriminate killing of non-combatants. The number of such people killed by the Japanese soldiery will never be known, but it is undoubtedly very large. At one time during the operations around Shanghai they deliberately machine gunned a fleeing mass of women and children who were trying to escape from the fighting area. They have been "mopping up" Nanking ever since its capture, which means that they are shooting most of the men found in the city.

The result has been a state of terror among the Chinese populace, and they refuse to return to the areas under Japanese control except in very limited numbers.

It is estimated that ten million people have been driven from their homes in the Yangtze area and of these hundreds of thousands have died as a result of battle, disease and starvation.

What will be the outcome no one knows. If the Chinese can hold out six months or a year more, carrying on a guerilla warfare, they may break the back of Japan yet. There is also the possibility that Russia may come in in the spring. There is some doubt whether her army is much good or not, especially after all the purging that has been done in the past six months. However, they have lots of equipment in the way of artillery, tanks, and aircraft, and I believe would give the Japs a run for their money.

As for our part in the Far Eastern war, I have come to the conclusion that we should never engage in it except in combination with Great Britain, France, and the Netherlands. These three countries have more at stake in the Far East than we have, and it would be silly for us to embark on a war alone with Japan with those three countries sitting on the sidelines.

I also think we should radically revise our concepts of a Far Eastern war. The United States will never build a base in the Philippines in peace time which will cost fifty or one hundred million dollars. They can never build a base in the Philippines in war time because the enemy will not let them do it. A war against Japan, as I see it, will be a purely naval war carried on by submarines and commerce raiders long enough to make Japan want to quit. The moving of a great armada to the Philippines with floating docks, repair ships, etc., is a pipe dream. We cannot establish a base in the Philippines unless we have command of the sea and command of the air, and we cannot have such command unless we have a base to start with and the necessary auxiliary fleet to maintain our ships in that area when they arrive. We have no auxiliary fleet and it is doubtful if we ever will have one until we get a new brand of merchant seamen.

The above sounds rather radical, but still I believe there is food for thought in what I have said. At any rate, you might try it on some of the students and find out their reaction.

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H.E. YARNELL
ADMIRAL, U.S.Navy

Lieut.Colonel J.W. Thomason, U.S.M.C.
U.S. Naval War College
Newport, Rhode Island

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UNITED STATES ASIATIC FLEET
U.S.S. AUGUSTA (Flagship)

CO/jse

U.S.S. ISABEL
Shanghai, China
21 January 1933

My dear Snyder:

I am enclosing herewith copies of four memoranda given to Mr. McNutt, American High Commissioner to the Philippines, on his visit to Shanghai. They give a brief description of conditions in China at the present time, with some views as to the trend of future events.

The second memorandum contains my own personal views, which have been arrived at after long consideration of the problem of a Pacific campaign.

When we began this idea of moving the Fleet to the Far East seventeen years ago, Japan then had few submarines and practically no aircraft. We had large numbers of merchant vessels and second line ships to convoy them.

At the present time the situation is entirely different. Japan has large numbers of submarines and aircraft, the latter having sufficient range to fly from Formosa to any point in the Philippines. They also have the necessary shipping and equipment to transport troops to any designated place in a short space of time.

I commend the whole subject to your earnest consideration and that of the class of able officers who are now studying it in the Naval War College.

With all good wishes for a happy new year, I am

Very sincerely,

H. E. YARNELL
ADMIRAL, U.S. Navy

Rear-Admiral C. P. Snyder, U.S.N.
President, Naval War College
Newport, R.I.

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UNITED STATES ASIATIC FLEET
U.S.S. AUGUSTA (Flagship)

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U.S.S. ISABEL
Shanghai, China
21 January 1938

My dear High Commissioner:

I am enclosing herewith six memoranda in duplicate on the present conflict in China.

The first one gives a brief review of events preceding July, 1937, with a general resume of the situation to date.

The second one gives my personal views on the factors entering into and governing a war between the United States and Japan.

The third one, prepared by the Intelligence Officer of the Second Marine Brigade, Captain R. A. Boone, U.S.M.C., gives a summary of military operations to date with notes and comments on the Japanese Army.

The fourth one, prepared by Lieut. Commander H. H. Smith-Hutton, U.S.N., Fleet Intelligence Officer, contains notes on the Japanese Navy based on observations of their operations in the Shanghai area.

The fifth one is a copy of my letter of 1 April 1937, to Mr. J. Weldon Jones, on the subject of independence for the Philippine Islands.

The sixth one is a copy of my SECRET letter of 11 February 1937, to the Chief of Naval Operations, concerning a naval base in the Philippines.

It is suggested that these memoranda not fall in the hands of unauthorized persons.

Very sincerely,

H. E. YARNELL
ADMIRAL, U.S. NAVY
COMMANDER IN CHIEF
U.S. ASIATIC FLEET

The Honorable Paul V. McNutt
American High Commissioner
to the Philippine Islands

Encl. - Six

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UNITED STATES ASIATIC FLEET
U.S.S. AUGUSTA (Flagship)

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U.S.S. ISABEL
Shanghai, China
20 January 1938

My dear High Commissioner:

The following notes have been prepared as of possible assistance in an understanding of the Sino-Japanese situation.

JAPANESE EXPANSION

The history of Japan in modern times has been one of gradual but steady expansion.

In 1895, after the Sino-Japanese War, Formosa was taken over from China.

Kwangtung was leased from China for 99 years in 1905, after the Russo-Japanese War.

Korea was included in the Empire in 1910.

Kiaochow was taken from Germany in 1914, and held until 1922 when it was returned to China as a result of the Washington Naval Conference. It was re-occupied on January 10, 1938.

The Marshall and Caroline Islands, formerly German, were given to Japan as a mandate by the Versailles Conference of 1919.

Manchurian occupation and the establishment of a puppet government began with the railroad incident of September 18, 1931.

Plans were then made to separate the five northern provinces from China, and to bring them under Japanese control. By increase of troops in this area, and political pressure on China, the "Hopei and Chahar Political Council" was set up on December 18, 1935.

Steady pressure by the Japanese to increase their own influence and decrease that of the Central Chinese government over this area finally resulted in the Marco Polo Bridge affair of July 7-8, 1937, which was the beginning of the present hostilities.

JAPANESE PROBLEMS

The fundamental problem confronting Japan is that of providing for the livelihood and welfare of more than 70,000,000 people in Japan proper, with an annual increase of nearly 1,000,000.

The agrarian population is poverty stricken. All available arable land is cultivated to the highest possible extent. The average annual income of the farmer is 280 yen.

Factory workers are poorly paid in comparison with western standards. Official figures for September 1934 show the average male wage as 1.96 yen for one day of 10.12 hours; the average female wage is .73 yen for one day of 9.20 hours. These wages are approximately 60 cents and 22 cents in U.S. currency at the prevailing rate of exchange.

Japan has abandoned the idea of meeting the population increase by emigration, and has decided that this problem must be met by increased industrialization.

Efforts have been and are being made to encourage emigration to Manchuria and considerable sums have been expended to this end. The results have not been encouraging. The climate is too cold, and the Japanese farmer cannot compete with the Chinese farmer owing to the latter's lower standard of living.

To succeed industrially, Japan must have a great foreign market for her products.

Her vision at present is control of the Chinese market and of Chinese resources as a partial solution of this problem.

Prior to the present conflict Japanese finances were in bad condition.

The adverse balance of trade for the first 6 months of 1937 was about 600,000,000 yen.

Since the occupation of Manchuria, the military and naval expenditures rose from 443 million yen in 1931-32 to 1,023 million yen in 1935-36.

More than one billion yen has been expended in Manchuria over receipts since its occupation.

The present operations in the China war will cost great sums. Four billion yen have been estimated as necessary to continue the war through 1938. This sum will be raised by bond issues and about 300,000,000 yen by increasing the already onerous taxes.

Her trade in China has been destroyed for the time being. This trade amounted in 1934 to about 300,000,000 yen.

Great losses have been sustained by Japanese residents in China, who are mostly business men, and shop keepers numbering about 100,000. Most of these left China at the beginning of hostilities and their businesses were ruined for the time being. They are now returning to Shanghai, and will return to the occupied areas.

When hostilities are ended, Japan will be confronted with the problems of return of disbanded soldiers (about 800,000 in China and Manchuria), re-establishment of trade, annual budget, and policing of occupied areas.

When that time comes, a serious domestic situation may develop.

JAPANESE ARMY AND NAVY

The Japanese are by tradition a warlike people believing in the efficacy of the sword as a solution of national problems.

Their success in war since 1894 has strengthened their belief in this method of solution of their national problems.

On limited natural resources, Japan is maintaining one of the world's greatest armies and also one of the principal navies. The resultant financial burden is heavy and may become intolerable.

Since the Ministers of War and the Navy can go directly to the Emperor in all matters pertaining to their services, without reference to the Premier, they can in effect dictate the formation and composition of cabinets and the policy of the government.

The Manchurian policy of 1931 was planned and carried out by the Army without the knowledge or consent of the Premier or responsible civil officials in Tokyo.

It is quite probable that the Marco Polo Bridge affair of July 1937 was the work of younger officers of the Army.

The "younger officer" element in the Army, and to a lesser extent in the Navy, is a factor which renders uncertain any policy which may be formulated by officials in Tokyo.

These officers may in certain cases dictate to their superiors as to policies to be followed. Failure to be guided by the young officers may result in assassination.

Conservative or liberal minded senior officers of the Army and Navy naturally hesitate to assert themselves under such conditions and may in self defense be forced to assume a chauvinistic attitude.

The best known extremists in the Army and Navy are General Araki and Admiral Suetsugu, but there are many others who hold the same views. These two officers are members of a recently formed advisory council. Suetsugu, at present Minister for Home Affairs, is mentioned as the next Premier. One of his first acts as Minister was to jail about 300 suspected liberals.

Separate memoranda have been prepared on the China campaign to date, and observed characteristics of the Japanese Army and Navy.

JAPAN'S FUTURE POLICY

Shortly after the beginning of the hostilities, the Japanese Premier announced that there was no intention on the part of Japan to alienate Chinese territory, and that neutral rights would be protected.

The peace terms offered China in December were vague in character and if accepted would have given Japan the power to regulate Chinese affairs to her own satisfaction.

Recent Japanese press announcements, probably officially inspired, state that owing to the continued resistance of China, it may be necessary for Japan to retain control over, etc.

The policy of Japan was announced unofficially to a U. S. Naval Attache by a responsible official to be (a) to drive all whites out of China; (b) to destroy all Chinese industrialism, and (c) to obtain control of the Customs, Salt Administration and other financial organs of the Chinese government.

The above is verified by the systematic destruction of all Chinese mills and factories in the Shanghai area. The aim of Japan is to make China the source of raw materials such as cotton, etc., while all manufacture is done in Japan.

Japan has many liberal and enlightened men of ability and prominence who realize the dangers of the present policy but are powerless to make their influence felt in the face of the control of affairs by the Army.

Admiral Suetsugu in a recent press statement, announced that it may become necessary to eliminate all white influence in the Far East.

General Araki, the extreme nationalist, who has a large following in the Army, announced in 1932 that:

"Japan is the chief Asiatic power and she must place herself at the head in Asia and prepare for a desperate war. The white races have made of the Asiatics pure and simple objects of oppression. Imperial Japan cannot and must not leave any longer unpunished their impudence. The principle of our Empire is the incarnation of Justice and Right. All Japanese must be ready spiritually and materially to aid in establishing this Empire and even if necessary to have recourse to arms."

The final terms of settlement between China and Japan, when hostilities are ended, assuming no intervention by other nations, will be dictated by the army of occupation.

CHINA

The present Chinese government was established in Nanking on April 18, 1927. Since that time, General Chiang Kai-shek has been the leader and dominating character.

The government has had many serious internal difficulties with the Communists, with outlying provinces, and with disaffected war lords.

The influence of the Central government has been gradually extended during this time.

The Sian incident in December 1936, where General Chiang Kai-shek was held prisoner by subordinate generals for several weeks demonstrated the stability of the country and the widespread affection and respect of the people for their leader.

In his work the Generalissimo has been greatly assisted by Madame Chiang Kai-shek, who is a dominating character. Her promotion of the "New Life Movement" has done much to strengthen the government.

Roads were being built, financial conditions improved, a general plan of education started, and much attention was being given to plans for improving the status of the peasantry.

The outlying provinces were gradually being brought under the influence of the Central Government and the power of the old type "war lords" being decreased.

There were of course many grafters, incompetents, and even traitors, in positions of influence, but the numbers of these were gradually being diminished.

About 2000 graduates of American schools and universities were in positions of authority in the Government, as engineers, doctors, lawyers, teachers and other positions.

With the aid of a German military mission, the efficiency of the Army was gradually being improved. Owing to lack of funds to provide the necessary equipment of artillery, planes, tanks, and services of supply, the army was greatly deficient in these necessities at the outbreak of hostilities.

However, great numbers of troops had not been brought under direct control of the Central government, but were the personal troops of provincial governors. These troops were in general poorly trained, equipped, and disciplined, and have made a poor showing.

Had China been given time,--ten years more at the past rate of progress - it is believed that in 1947 she would have become one of the stable nations of the world.

Dr. John C. Ferguson, who has lived in China for 50 years and has had a distinguished career as educator, publisher, and adviser to the government, wrote on October 27, 1937:

"What do the last ten years suggest as to the future of China? Of one thing I am certain, and this is that I am neither more optimistic nor pessimistic than in 1927. The real entity that is China remains unchanged. There is a united solidarity in the race that no military defeats can destroy. The Chinese of Manchoukuo remain Chinese as do those of Formosa, of Hongkong, of the Philippines, of Java, of Honolulu, of San Francisco, of Mauritius. They may be Russian citizens or Japanese, British or American, French, Dutch or Portuguese, but their hearts are in China 'the country of worth' as truly as Burns' heart was in the Highlands. Whatever may be their choice among friends of other races the highest ambition and keenest hope of the myriad Chinese of the dispersion is to see their motherland freed from all foreign domination, including the domination of the country they like best. China may be cut into several slices, but it will require only a minimum of heat or ferment to cause them to coagulate.

"A New Unity.

"The achievements of the last ten years have not been chiefly on military lines, even though most of her sons and daughters are inclined to be proud of what has been accomplished. There have been during this time several serious internal struggles between rival parties, but since the Sian incident of last December a new unity among military leaders has been evident and in the life-and-death conflict with

The final outcome may be a South China, a "Red" China of Szechuen, the Central and Western Provinces, and a Japanese controlled "China" composed of the northern and coastal provinces.

Whatever the outcome, the work of establishing a stable government and improving the lot of the masses has been delayed for years.

AMERICANS & EUROPEANS IN CHINA

(a) Americans.

In July, 1937, there were between 10,000 and 11,000 Americans in China. At the present time (January 20, 1938) about 5000 have left. Between 2000 and 3000 of these were missionaries. The remainder were business and professional men and their families. The total American investment in China is about 230,000,000 U.S. dollars including missionary property.

(b) British.

Great Britain has the largest monetary investment of any foreign country in China except Japan -- about one billion U.S. dollars, with about 15,000 nationals and 1,000 business firms. About 2,000 British missionaries are included in the above. The loss of property and trade with China will be a serious blow to Great Britain in case of eventual Japanese control. So far, during the present controversy, the Japanese have shown especial animosity towards the British. Some of the numerous incidents between the two nations have threatened to become serious. Great Britain is prevented from taking any positive stand by the European situation and this fact is realized fully by Japan. It is not believed that Great Britain will relinquish her position in the Far East without some positive action on her part -- even war.

(c) French.

There are 3,000 French citizens in China and about 200 French firms. The French have concessions in Shanghai and Tientsin. There are many French Catholic Missions scattered throughout China.

The French are a tenacious race and dislike giving up anything once acquired. They have taken a very positive stand against

the entry of Japanese into the French concessions in Shanghai and Tientsin.

They are greatly concerned over the future safety of French Indo-China in view of Japan's present aggression and announced policy of eliminating the white races from the Far East.

(d) Germans.

The Germans have 2,700 nationals and 340 firms in China. Until the present war broke out their trade with China was increasing steadily. There is apparent friendship between China and Germany in spite of the "anti-comintern" pact between Germany and Japan. The German military mission has done good work in developing the Chinese Army and remained on after July 1937 as advisers until quite recently when they were recalled. General Falkenhausen, the head of the mission, is remaining in China and is a trusted adviser and close friend of Chiang Kai-shek.

It is believed that the Germans in China are lukewarm over their pact with Japan and realize that their trade with China is of more value.

(e) Russians

The 1937 Chinese Year Book from which the data for other nationals were taken states that there were 14,400 Russians in China. These are White Russians and are mostly in Shanghai and Tientsin. They are mostly small shop keepers, artisans, and professional men. They occupy a tragic position in China, since they are people without a country. Their efforts to establish themselves and make a living have been an epic of endless struggle against adversity.

(f) Italians.

The 1936 Chinese Year Book gives the Italian population of China as 756 with 35 firms. There are said to be about 140 Italians in Shanghai. To defend these 140 Italians, 800 troops and a modern cruiser were sent. The Italians are making the most of their alliance with Japan, and are demanding representation on the Shanghai Municipal Council and have hopes of obtaining a concession in Shanghai in the final settlement. This is all part of

the plans for the development of the Italian Empire.

FINAL OUTCOME OF THE WAR

With reference to Japan, the following factors will influence the final result:

- (a) Present control of the Government by the Army and Navy.
- (b) Policy of this group to extend the domination of Japan over the Far East.
- (c) Possibility of liberal civilian element regaining control.
- (d) Financial difficulties.
- (e) Possibility of revolution in Japan due to ever increasing poverty of the masses.

The Army group will probably retain control as long as they can point to successes in the field and to the extension of Japanese domination over Chinese territory.

They will not lose control unless they have reverses in the field which is improbable or unless the financial and economic situation at home leads to a general upheaval. The financial situation may become critical if the war is prolonged and purchases of raw and war material must be made abroad. The economic situation may become critical if there results general unemployment due to loss of foreign markets and lack of raw material such as cotton. These also may come about through boycotts and lack of foreign credit.

Japan needs and desires an early termination of hostilities. Every day the war is prolonged increases her already heavy financial burden, and the dangers of incidents with foreign nations.

Even when the China problem is solved, Japan still remains confronted with Russia, which is considered by many as her most probable enemy.

In case of victory in China, the occupied areas will require large garrisons to maintain order in the face of a hostile population.

The lack of capital to rebuild devastated areas and properties and to develop the resources of occupied areas will be a serious problem.

With reference to China.

China is fighting defensively in her own territory. Japanese attacks on Chinese territorial integrity extending over a period of more than thirty-three years have convinced China that the present conflict must be fought to a finish if she is to continue as an independent nation.

The growth of national feeling in China during the past ten years was not realized by the Japanese Army. This feeling is a powerful factor in maintaining the morale of the Chinese government and the Army.

China's financial difficulties will increase as time goes on, but reserve funds deposited abroad will cover the purchase of war material to a certain extent.

It is understood that there is sufficient small arm ammunition on hand to last a year. Arsenals still in commission have a considerable capacity if raw material can be secured.

The great weakness of the Chinese Army is the lack of artillery, aircraft, medical services, proper clothing, and a well organized service of supply. Trained staff officers who can co-ordinate the movements of large numbers of troops have been lacking. Many of the generals have been such in name only. As the war goes on, these incompetents are being eliminated and good men are coming to the front.

The change from direct to guerrilla warfare is probably good tactics considering the organization and equipment of the Army.

The Generalissimo and Madame Chiang Kai-shek are outstanding leaders who hold the confidence of the people and as long as they remain in power the war will be continued.

As the war goes on, China will depend more and more on Russia for material assistance.

All factors considered, it is believed that China can carry on the war longer than Japan.

When peace comes, even if China's national and territorial integrity are maintained, her financial and economic situation will be critical. The Chinese people, however, have an extraordinary capacity for enduring hardships and for recovery from catastrophes.

U.S. Policy in China.

United States citizens have been trading in China for 150 years. Our influence and trade has grown with the passing of time. In general, our dealings with China have been fair and have been conducted on a friendly basis. American missionaries have built schools, colleges, and hospitals, and have in general increased mutual understanding and friendship between the two nations. During the present hostilities these missionaries have remained at their posts and have done splendid service in the hospitals and refugee camps. While our trade with China is a small part of our total trade, it is increasing and cannot be entirely disregarded.

The method of avoiding foreign complications by withdrawing our nationals and sacrificing our interests in areas of possible danger is futile and impracticable. The world has grown smaller in recent years and it is not possible for any nation to withdraw from participation in world affairs.

As in a small community, nations must have dealings with each other. Nations, just as individuals, must be guided in their dealings with each other by all the laws, treaties and procedures that have been developed through the years to secure peace, justice, and friendly relations.

When nations disregard these fundamental facts in their foreign relations, they become menaces to international peace and security, and eventually they must be dealt with as outlaws in a law-abiding community. Our policy in such matters as announced by the Secretary of State was commented upon in part by a Shanghai newspaper as follows:

"American foreign policy is not controlled by the thought of dollars and cents, nor by the fact that American interests abroad may as the result of the unfortunate actions of others pass under a temporary shadow, but by the adherence to principles, which, were they accepted by the whole of the world, would bring about that peace which it so sadly needs.

"As Mr. Hull rightly says, there is a broader and much more fundamental interest than the narrow one which he disclaims: it is that orderly processes in international relationships be maintained. In those words the Secretary of State has set the face of his government against all the disorder which at present prevails and re-enunciates a doctrine for which the United States has always stood, one upon which the good government of the world must ultimately be based."

Such a policy adhered to by the peace-loving nations of the world will in the end provide the solution for the situation in the Far East.

Very sincerely,

H. E. YARNELL
ADMIRAL, U.S. NAVY
COMMANDER IN CHIEF
U.S. ASIATIC FLEET

The Honorable Paul V. McNutt
American High Commissioner
to the Philippine Islands

COPY

UNITED STATES ASIATIC FLEET
U.S.S. AUGUSTA (Flagship)

OO/jse

MEMORANDUM NO. 2

U.S.S. ISABEL
Shanghai, China
20 January 1938

My dear High Commissioner:

The following notes have been prepared on the general features of a Pacific Campaign as of possible interest in connection with our Far Eastern problems.

They represent my own personal views and are not official in any way. Since they could have been prepared by any individual, civilian or naval, who is familiar with and interested in such matters, I have not labeled this memorandum "Secret" or "Confidential." It would be well, however, that it not fall into the hands of unauthorized persons.

No greater task confronts our State, War, and Navy Departments than that of providing for a Plan of Campaign in the Pacific which will be in conformity with the realities of the political, economic and military situation, and which will recognize our own and the enemy's weaknesses and capabilities as they exist today.

Since the World War, the Pacific has been the most important area from the point of view of our national defense. The battle fleet was transferred to the western coast in 1920 and has been maintained there since that time.

In order to win in war it is necessary to convince the enemy by force that peace even under the terms imposed by the victor is preferable to a continuation of the conflict.

This can be done by:

- (a) Invasion of enemy territory.
- (b) Economic strangulation by command of the sea.

For a self-contained country the first method is usually necessary.

For a country which depends on overseas trade, the second method may and usually will suffice. Japan belongs to the latter category.

Invasion of Japan by the United States is out of the question. The former has a great army, navy, air force, and strong coastal

defenses, to defeat which the navy must be defeated or contained and a stronger army transported across the Pacific. Since we have a small army, and no merchant marine with which to transport it, this method of waging war is out of the question and need not be discussed.

Conversely it is not possible for Japan to invade the United States as long as our Navy is at least equal, owing to the great distances involved.

The second method which has a reasonable chance of success requires a fleet superior to that of Japan by at least 50%, an adequate merchant marine to supply it, and bases in the western Pacific from which to operate. These three requisites are at present lacking.

At the close of the World War, the United States had a large amount of merchant tonnage for fleet supply and transport, and a considerable naval superiority over Japan. It would have been possible at that time to have moved the Fleet to the Philippines. Its maintenance there without an adequate base would have been a difficult problem.

At the present time, the naval superiority of the United States over Japan has been greatly decreased, most of war built merchant marine has been scrapped, and there is still no base in the Philippines.

Japan has greatly increased her navy, especially in submarines and aircraft. The Philippines are within easy range of air bases in Formosa.

The transfer of our Fleet to the western Pacific in time of war under present conditions would be a dangerous undertaking.

A base in the Philippines capable of repairing and supplying the Fleet in time of war together with the necessary land defenses, would cost between 150,000,000 and 200,000,000 dollars. This estimate is based on the cost of Pearl Harbor and the land defenses of Oahu, and also the British base at Singapore.

It is almost certain that the government will never commit itself to such an expenditure. At best, the security of such a base before the arrival of the Fleet could never be relied upon. With her large

merchant fleet, and a large well trained army equipped with all the necessary material for an expeditionary force, combined with her ability to organize such a force secretly, Japan could land in the Philippines within a few days after we were aware that such an operation was under way.

The Shanghai campaign of the present war was not planned, or counted upon, by the Japanese. Yet in 12 days after the fighting began in the Hongkew section, they had landed 50,000 men. Over 300 special types of landing boats have been used in this area. Most of them had been built and were ready when the war began. Between 300 and 400 merchant vessels are being used as transports and supply vessels.

The Philippine Army, as at present organized, cannot oppose with any hope of success a Japanese army equipped with tanks, light and heavy artillery, and aircraft.

Under conditions as they exist at present, and as they will exist in the future, a war between Japan and the United States acting without Allies, will consist of cruiser and submarine operations against the Japanese Navy and merchant marine, the vessels basing on Pearl Harbor, or fueling at sea in areas near Japanese trade routes. It is a tedious and perhaps ineffective method of waging war, but as Japan is dependent on overseas commerce it might eventually prevail. At any rate for us it would be the cheapest form of waging war since the Navy is already built, and no army is required.

FINANCES

The United States with a present Federal debt of 37 billion dollars is in no financial position to conduct an expensive war. The World War cost us about 30 billion dollars at the time, and huge sums since to pay bonuses, pensions, hospitalization, and maintenance of the 4,500,000 men enlisted in the Army and Navy. These latter expenditures will increase as time goes on. As a rough estimate, the Army had cost 20 billion dollars, and the Navy 3 billion dollars when the troops were finally discharged.

The people in the United States are strongly opposed to any more wars involving burdens such as the above, and rightly so.

In a war with Japan, the mainland and Hawaii are entirely safe from invasions as long as the Navy remains afloat, and there need not be any doubt about that. The Philippines and Guam will be taken for the time being by the Japanese. Our present Army, if properly organized and distributed, is believed to be entirely adequate for any Pacific war, and not a single enlistment is necessary. Enlistments in the Navy should be held to a minimum. Every effort should be made to keep expenditures under control.

There must be certain increases in naval personnel to man mine sweepers, auxiliary vessels, etc., and construction of certain types of vessels to provide for losses and for carrying on the war would necessarily be undertaken.

There is a tendency to attribute to the Japanese lines of action such as major attacks on Hawaii, the Canal Zone, or even on the mainland, which are beyond their capacity to carry out. There may be raids by small forces of cruisers or submarines, but these can be easily met.

The causes of such a war may be:

Violations of treaties regarding China.

Interference in the Philippines.

Fishery questions in Alaska.

General disregard by Japan of American rights in the Far East, and the ensuing incidents.

There are in the Far East three nations who are as much if not more concerned in any general disturbance of the status quo as is the United States -- Great Britain, France, and the Netherlands. All have colonial possessions, and Great Britain has a great amount of property and trade in China.

These three nations are signatories of the Nine Power Treaty.

All three should be willing to enter into an agreement to respect the independence of the Philippines.

They are all vitally affected by the extension of Japanese domination over the Far East, and should share in the task of curbing it.

If the United States must go to war with Japan eventually, it should be in conjunction with these three powers. With their naval forces, bases, and resources available, especially those of Great Britain, Japan will be defeated with the minimum of cost and in the minimum of time. The assurance that these three nations, or at least Great Britain, will join with the United States in a Japanese war is a matter of major importance in our international relations.

SUMMARY

- (a) The United States has no Main Naval Base in the Far East, and probably never will have one.
- (b) It is not possible to construct such a base after war has begun.
- (c) Without a Base, the Main Fleet cannot proceed to the Far East.
- (d) A war between the United States and Japan alone, will take the form of attacks on trade routes by cruisers and submarines, with possible raids on each other's coasts.
- (e) Such a war is more difficult for Japan than for the United States owing to her dependence on foreign trade.
- (f) The greatest economy must be exercised by the United States.
- (g) No increase in the U.S. Army is necessary.
- (h) The mainland, Hawaii, and the Canal Zone are automatically protected by the Navy.
- (i) The Philippines and Guam will be taken by Japan.
- (j) Great Britain, France, and the Netherlands are as much, if not more, interested in the Far Eastern situation than the United States.

- (k) If at all possible, the United States should avoid war, unless these three nations also take part.
- (l) The means to bring this about is contained in the Nine Power Treaty, and possible future agreements regarding the independence of the Philippines.

Very sincerely,

H. E. YARNELL
ADMIRAL, U.S. NAVY
COMMANDER IN CHIEF
U.S. ASIATIC FLEET

The Honorable Paul V. McNutt
American High Commissioner
to the Philippine Islands

COPY

SINO-JAPANESE LAND OPERATIONS 1937-8

Shanghai, China,
21 January, 1938.

At time of writing the Japanese army ably assisted by the Naval Air Force has gained control of all the railways of North and Central China except as shown on the attached map. The northern Japanese front extends roughly from Paotowchen in Suiyuan, to Tsingtao. The Central China front includes the Wuhu-Nanking-Hangchow-Shanghai parallelogram from the Wuhu-Nanking sector of which three expeditions are advancing northward; one toward Luchow, one up the Tsinpu line, and one up the Grand Canal.

The North China campaign was consummated by separate but closely coordinated expeditions;- one south along the Pinghan line, one down the Tsinpu line, one westward from Peiping which gained control of the Pingsui line. Two columns, one moving down the motor road from Tatung to Taiyuan and one along the railroad from Shihchiachwang to Taiyuan were needed to reduce Shansi. These two columns consolidating at Taiyuan have proceeded on down the railroad to Kweisui. They now occupy this town as well as a certain portion of the territory between Kweisui and the Yellow River. The logical objective of this force would seem to be Linfeng the end of the railroad. At the moment of writing however the Japanese appear not to be pressing this campaign.

The Tsinpu force split into four columns. One moved down the Kiaotsi railroad to Tsingtao. One is driving down the Tsinpu line with Hsuechow as the objective, and a third pressing southward from Itu, parallel to this railroad. A fourth column is attempting to strike across country from Tsining to Kweith on the Lunghai railroad. If Kweith falls Japanese strategists consider that the position of the Chinese garrison at Hsuechow will become untenable.

In the Shanghai area Chinese infantry, with negligible air and artillery support, held firm under the pounding of a modern land air and sea war machine for over two months. The collapse and retreat was due as much to treachery as it was to Japanese weight of metal. Evidence is at hand that when the Japanese landed near Tsaoxing on Hangchow Bay on November 7th, they found nearly a hundred Chinese army trucks, fully gassed, waiting to take them inland, and that they advanced almost seven miles inland before firing a shot. The Chinese force involved in this proceeding was not large, but treachery of any of its units has always had a very demoralizing effect on a Chinese army. History also shows that once Chinese troops

have begun a general retreat they are extremely difficult to rally.

After the fall of Shanghai the Japanese advanced, roughly speaking, in three columns. One along the motor roads from Hangchow to Wuhu, one utilizing boats to cross the Taihu, and one moving up the Shanghai-Nanking railroad. Little resistance was encountered even at Nanking. It appears however that the columns now operating north of the Yangtze, especially the one moving up the Grand Canal, are meeting considerable opposition.

Throughout the campaigns the Japanese made frequent use of sound flanking tactics to squeeze the Chinese out of strongly defended positions. The force which captured Shangshu instead of moving on Soochow, the next objective, struck toward Wushih, northwest of Soochow, thus forcing the Chinese garrison to abandon the latter city. Wuhu, west of Nanking was captured before Nanking was attacked, compelling the main body of Chinese defenders to abandon the capital. At the present time the Japanese are driving for Kweitch, hoping by this means to force the Chinese troops to retreat from highly strategic Hsuechow.

Numbers Engaged and Casualties

A careful analysis of the best information available indicates that there are in North China, between 280,000 and 300,000 Japanese troops.

In Central China there were, at the peak, about 300,000, and there remain at present between 225,000 and 250,000. Early in December some 30,000 men were withdrawn from the Shanghai-Nanking area and, together with about 20,000 effectives from Japan, were concentrated at Formosa preparatory to an attack on Canton. In late December however half of this force was diverted to Manchukuo. The remainder are still in Formosa but the attack on Canton has been indefinitely postponed. Early in January 10,000 more men were withdrawn from the Shanghai-Nanking sector but their destination is at present unknown.

Along the North Chinese front from Suiyuan to Shantung the Chinese had available at least 500,000 men. How many of these remain is difficult to estimate, but it appears certain that there are still 300,000 men in the field.

In the Shanghai-Nanking-Hangchow area there were at the period of greatest concentration about 600,000. Many of the best of these divisions have been decimated and replaced by inferior provincial levies. Some of the best divisions have been withdrawn to Hankow. It seems safe to assume that Chiang Kai-Shek still has about 400,000 men in the Central China area, the bulk of which are being concentrated to defend the Lungtai line. The loss of men has not been as important to the Chinese as the loss of equipment. Additional men can and are being

recruited in large numbers, and the man power resources of Kwangsi and Kwangtung have scarcely been tapped. Equipment is easily purchased, but its delivery is a slow and uncertain problem.

Well informed sources believe that Japanese Army and Navy casualties including killed, seriously wounded, and seriously ill, total roughly 110,000. Chinese casualties can scarcely be less than 400,000.

Future Events

The Japanese will capture Hsuechow closing the gap on the Tsinpu line, and will occupy the Lungshai line from Hsuechow to the coast. In the opinion of the undersigned this will be followed by a lull in military operations during which the Japanese will attempt to consolidate the area under their control, give prestige to the Peiping provisional government and discredit Chiang Kai-Shek's regime. In this manner Nippon will endeavor to force China to accept peace at Japanese terms. In this effort she will probably fail since China is now obtaining appreciable aircraft support from Russia. The next step would be a campaign against Hankow. The capture of this city would probably be accomplished by two offensives, one down the Pinghan line to Chengchow, another west along the Lungshai to the same point. A junction having been effected at Chengchow the combined force would drive south along the Pinghan and capture Hankow. The undersigned is of the opinion that Japan could accomplish these moves, but that she is loathe to do so.

It should be pointed out that in the vast region now under her control Japan occupies only the railroads and most of the cities. Between these vital lines thousands of disgruntled and still dangerous Chinese troops are roaming about. Japan cannot hope to police this vast area unless she can buy over some Chinese war lord and get him to do the policing for her. So far no important Chinese leader has shown any indication of turning over to the Japanese.

Efficiency of Troops Engaged, Shanghai Operations.

1. Chinese

a) Aircraft and Artillery

Elementary and cumbersome, but improving. Negligible in this war but may be, in some future war, elements to reckon with.

b) Infantry

Steadfast under heavy bombardment, excellent defensive fighters. Remarkable powers of physical endurance. Subject however to disastrous collapses of morale.

c) Officers

Chinese officers are poorly trained and generally of mediocre calibre. They are the primary personnel weakness of the Chinese forces.

2. Japanese

a) Aircraft

Mediocre at beginning of campaign but improved greatly with practice. Now almost if not entirely up to western standards.

b) Artillery

Excellent mobility in difficult terrain. Marksmanship, although improving with practice still poor. Generally, artillery would have to be rated below western standards.

c) Infantry

† Excellent physical conditions, first class powers of physical endurance. Since however they were not subjected to concentrated aerial or artillery bombardment no basis for comparison with western troops exists.

d) Engineers

These troops did excellent work in repairing bridges, constructing roads etc. By western standards would deserve a mark of at least "very good".

e) Officers

Japanese officers have proved themselves efficient leaders in the field. However considerable jealousy between cliques exists in the Japanese army and instances have arisen during the present campaigns of junior officers embarrassing their seniors and even their government by exceeding or disregarding orders. This has led to a condition existing among the enlisted personnel which causes observers to class them as the most undisciplined troops of any major power.

3. General

Both sides showed a marked predilection for night fighting. All the Japanese landing operations were carried on at night, and many attacks by both sides were launched during the hours of darkness.

R. A. BOONE
Captain, U.S. Marine Corps.

UNITED STATES ASIATIC FLEET

U.S.S. AUGUSTA (Flagship)

U.S.S. ISABEL,
Shanghai, China,
19 January 1938.

MEMORANDUM FOR COMMANDER-IN-CHIEF

Japanese Navy in present hostilities in China.

I. General -

At the outbreak of the present hostilities early in July 1937 only a small portion of the Japanese Fleet was on duty in China..The units which made up the Japanese Third Fleet under the command of Vice Admiral Hasegawa were old cruisers, destroyers and gunboats and were stationed in all Chinese coastal and Yangtze river ports as far as Chungking. As the situation developed this force was gradually augmented by vessels of the First and Second Fleets and the Ryojun, Chinkai, Sasebo and Bako Guard Squadrons. Late in July 1937 the Japanese Fleet was partially mobilized and in November 1937 the mobilization was completed. At this time a Fourth Fleet was organized for duty in China. At the present time all vessels of the Japanese Navy with the exception of a few vessels undergoing extensive overhaul or modernization are on a war footing.

II. Organization.

The navy is at present organized into four fleets. The First Fleet corresponds to our Battle Force and the Second Fleet to our Scouting Force. The Third and Fourth Fleets each commanded by a Vice Admiral, are on duty in China, and this command is known as the Japanese Fleet in China. The composition of these fleets has been changed frequently but is at present approximately as follows:

3rd Fleet (Vice Admiral K. Hasegawa, additional duty in command all vessels in China)

1 cruiser
1 aircraft carrier
1 seaplane tender
1 mine layer
15 destroyers
6 torpedo boats
6 mine sweepers
11 gunboats
10 auxiliaries
Shore based aircraft- approximately 100 planes
Naval landing party Shanghai - 6000 men

4th Fleet (Vice Admiral Toyoda)

- 1 heavy cruiser
- 1 aircraft carrier
- 3 light cruisers
- 15 destroyers
- 6 submarines
- 10 auxiliaries

These Fleets can be reinforced in a few hours by units from Ryojun, Chinkai, Sasebo and Bako. During the course of the hostilities all units of the entire Japanese Fleet with the exception of battleships have at one time or another operated in Chinese waters.

III. Operations -

The operations of the Japanese Navy during the present hostilities have been:

1. Escorting transports to North China and to the Shanghai area. All convoys of transports have been provided with cruiser or destroyer escorts. These operations have been conducted efficiently and no transports have been successfully attacked by Chinese vessels or aircraft.

2. Covering landings. At Liuho, Woosung and on Hangchow Bay, the landings of army forces has been accomplished under the covering fire of cruisers, destroyers and gunboats. The success of these operations with little or no loss and with apparent close cooperation and understanding between the army and navy indicates that both services have made careful studies and prepared detailed plans for joint operations.

3. Assisting army operations. This assistance has taken the form of:

(a) Supporting land operations by fire from naval vessels as at Taku, Shanghai, Hangchow and in operations against the Yangtze forts, Nanking and Wuhu. Naval gunfire has been of material assistance to Japanese artillery, particularly in the army advance from Woosung and Liuho and the attacks on the Kiangyin forts.

(b) Supplying aircraft for all land operations in the Shanghai area and assisting army aircraft in North China. With the exception of a few planes, all combat, bombing, scouting,

reconnaissance, patrol, photographic and utility planes in the Shanghai area have been naval planes. These aircraft have been of great assistance to army operations by confining Chinese air attacks to infrequent night raids and by bombing and strafing Chinese front lines, troop concentrations, supply bases and lines of communications.

(c) Transporting and assisting army troops where necessary.

(d) Maintaining communication and liaison with and between army units.

(e) Supplying reinforcements and cooperating with land forces. Approximately 12,000 bluejackets were on shore in Shanghai during the period September to December 1937 and for the last three months were directly under army command.

4. Blockade duty. In a series of proclamations dated 25 August, 5 September, 20 November and 25 December the Japanese naval commanders have declared blockades of the Chinese coasts, the last proclamation involving the port of Tsingtao. At the present time the entire coast is closed to Chinese public and private vessels. This blockade which has been effective in driving all Chinese vessels from the seas has been maintained by cruisers, destroyers, submarines and gunboats based at Ryojun, Taku, Chinkai, Shanghai, Saddle Islands, Quemoy, Bako, Bias Bay, Manzan Islands.

5. Air operations. The Japanese Navy has conducted extensive air operations in addition to those mentioned in 3 b. Raids have been concentrated on railways, roads, important cities, arsenals, supply bases and air fields. Every important Chinese activity within 400 - 500 miles of the coast has been bombed repeatedly. The following Chinese airfields have been bombed in the course of the operations: Hangehow, Chiekiao Kiaossu, Kwangtsu, Nanchang, Shaoshing, Kashing, Hungjao, Kiyung, Yanchow, Pengpu, Hwaiyin, Haining, Nanking, Wusih, Wuhu, Hankow, Loyang, Lanchow. Several of these including Kwangteh, Kashing, Hungjao, Nanking, Wusih and Wuhu are now being used by the Japanese naval air force. As a result of these operations the Chinese air forces which existed at the outbreak of hostilities have been almost completely destroyed, and are only now in the process of being reorganized with foreign planes and pilots.

6. Establishing bases. Both naval operating bases and air bases have been established in China. These are:

a. Naval operating bases -

1. Taku (former Chinese naval base).
2. Tsingtao (former Chinese naval base).
3. Saddle Islands - a fortified base was established in the Parker Islands in July 1937 and has been in use since that time.
4. Shanghai - the harbor and port facilities have been extensively used since August 1937.
5. Quemoy Island - this island off Amoy has been occupied and an operating base with semi-permanent facilities established.
6. Manzan Island - Hopai Island - these islands in the Macao area have been used as anchorages and operating bases although no facilities have been established.

b. Air bases -

1. Tientsin - used in conjunction with army.
2. Tehchow - used in conjunction with army.
3. Shanghai area - Point Island, Kiangwan, Hungjao, Lungwha.
4. Saddle Island - Parker Island - Seaplane base.
5. Wusih - former Chinese field.
6. Nanking - former Chinese field.
7. Wuhu - former Chinese field.
8. Hangchow - former Chinese field.
9. Quemoy - landing field, temporary hangars constructed.
10. Hopai Island - landing field.
11. Manzan Islands - seaplane base.

7. Miscellaneous -

a. Shore operations - Parties of bluejackets have been sent ashore at Taku, Tsingtao, Saddle Islands, Nanking, Quemoy, Hopai and Manzan. The force of 12,000 bluejackets at Shanghai has been mentioned.

b. Minesweeping operations. Naval forces have cleared the mine fields laid in the Whangpoo and Yangtze rivers and have kept these channels open to naval traffic. In addition the harbors of Chefoo, Tsingtao, Hangchow have been swept for mines prior to conducting landings.

c. Evacuation of Japanese nationals. Japanese nationals numbering about 50,000 men were evacuated from Tsingtao, Shanghai, Hankow, Foochow, Amoy, Swatow, Canton and other river and coastal ports, under the supervision of the navy. Many of these, especially from the Yangtze and smaller coastal ports were evacuated on naval vessels.

d. Return of Japanese nationals. Some Japanese nationals are being returned to Shanghai, Tsingtao and other ports on naval vessels.

IV. Observations in regard to the Japanese Navy -

1. Personnel.

Japanese officers and men are strong, sturdy, hardy, stolid and though of small stature have great endurance. The officer personnel in higher positions are five to ten years younger than those in the U.S. Navy which should be a decided asset in time of war.

Officers and men are hard working, serious, studious, positive and aggressive and are considered to be well trained in their duties. It is apparent that training under adverse conditions, in all kinds of weather combined with long hours of drill have produced an efficient well trained personnel.

2. Material.

Japanese naval vessels, guns, ammunition, fire control equipment, etc. appear to be very good and it is believed that in materiel the Japanese Navy is not inferior to the U.S. Navy. It is noted that much material is of foreign design and manufacture - as for example new type Hotchkiss 13.2 mm A.A. machine guns which are mounted on all classes of vessels including destroyers and torpedo boats.

Japanese vessels are not smart and are not clean according to U.S. Navy standards but material is kept in good working condition. The Japanese devote more time to drill than to routine cleaning and painting.

Japanese naval aircraft which are in use at the present time appear to be similar and as good as planes in general service in the U.S. Navy, since the old obsolete planes which were used at the beginning of hostilities have been replaced.

3. Ship handling.

The Japanese are good seamen and ship handlers. In operating in congested waters with strong currents there have been no major casualties. Ships have operated successfully both day and night in poorly charted and lighted areas.

4. Gunnery.

While it is difficult to judge Japanese naval gunfire in a naval action from observations which have been made during the present hostilities, it is estimated that in rapidity and volume of fire Japanese ships would be excellent, and in accuracy of fire good or very good. This is also true of A.A. fire.

5. Aviation.

Japanese airmanship is good, formation flying fair, accuracy of bombing good, flight tactics very good and aggressive action excellent. While it is considered that the Japanese naval air force is somewhat inferior to the U.S. naval air force the former is improving rapidly under war conditions. Material and personnel which appeared only fair at the outbreak of hostilities are now very good.

6. General.

The Japanese have an efficient navy with good ships manned by strong, well trained, aggressive, personnel who are young and physically able to stand the strain of a long hard campaign in any climate. The endurance of personnel is excellent, and the sea keeping qualities of ships and aircraft very good.

The high command is thoroughly competent and is familiar with strategic and tactical principles. Plans of operations are made out in great detail and are carried out in an aggressive manner according to schedule and plan.

Respectfully,

H.H. SMITH-HUTTON,
Lieutenant Commander, U.S. Navy,
Fleet Intelligence Officer.

UNITED STATES ASIATIC FLEET

U.S.S. AUGUSTA (Flagship)

OO/jse

Manila, Philippine Islands

1 April 1937

My dear High Commissioner:

Before leaving Manila, I am taking the liberty of giving you my impressions and personal opinions on the subject of the coming independence for the Philippine Islands. These impressions and opinions have been formed as a result of observation and of many conversations with Americans and Filipinos on what is now the subject of greatest importance to the Islands. It is also a matter of great importance to the United States, for it involves major decisions regarding our future policy in the Far East.

In view of your intimate knowledge of Philippine conditions due to over three years service, nearly one year of which has been as Acting High Commissioner, I submit these views with due deference.

In the first place, I believe the Philippines are going to have independence in some form unless some major domestic or international upheaval prevents. This may appear obvious, but I have heard the statement from prominent men that something may turn up which will cause the Filipinos to change their minds, and to ask to remain under the American flag.

It has been the policy of the United States since 1898 that independence would eventually be granted. The Philippine politicians have worked for it for many years, and Congress has finally passed a law granting it. Unless there should be some major upheaval in world affairs before 1946, it seems to me that independence is bound to take place.

At the same time, I doubt if more than a small percentage of the Filipino people really want independence, and feel that many of them are quite apprehensive over the future as an independent nation. The peasant class are probably satisfied with any government that will ensure them a continuance of their simple necessities. The business element are frankly apprehensive. The recent stock market flurry on the announcement of Mr. Quezon's statement that he wanted independence in 1938 is indicative of this feeling.

The political element is for it for obvious reasons, and is in a position to suppress any one in the government who desires to express contrary views.

There are also many able and sincere Filipinos who feel that they are entitled to independence and that only through it will they be able to realize their national and cultural destiny. If there was no doubt in their minds as to their future economic and national security, most of the Christian Filipinos would undoubtedly be in favor of independence. I know of no case in history where one race of people has voluntarily remained under the rule of an alien race.

Whether or not the Filipinos will be able to maintain an independent government without outside assistance remains for time to prove. Americans and foreigners in the Islands are generally pessimistic over the outcome. The Filipinos in favor of independence are naturally optimistic.

The arguments in favor of success may be stated thus:

The ruling class of Filipinos are perhaps better trained for self government than those of Central American countries.

There is adequate, perhaps more than adequate, civil service personnel to fill government positions with a fair degree of ability.

They have occupied positions of authority for over twenty years.

The Islands have much natural wealth.

The bulk of the Christian Filipinos have few wants and will probably be satisfied with any government that ensures their food supply and their tenure of the land.

The Philippine Army will be useful in suppressing insurrection.

Factors against success may be:

Lack of a national language.

Dissatisfied elements such as the Moros, and perhaps the mountain tribes.

Growth of Communism.

Oppression of the peasants by the ruling class.

Breakdown of the economic system.

Interference and encroachment in the Philippines by other nations.

Before independence is realized, it is obvious that two conditions must be met:

(a) The economic problem must be solved in such a manner as to ensure the stability of the new government.

(b) The international security of the new government must be provided for.

It is obvious that both of these conditions must be met if the new nation is to survive.

In both of these conditions I feel that the United States has a moral responsibility which it cannot or should not evade. We have been in the Islands for thirty-nine years and the majority of the Philippine people have been born under our flag. We have been responsible, at first entirely, and during the past twenty-three years, to a considerable extent, for their welfare, economic, cultural, and international. The abrupt termination of this responsibility on the grounds that Philippine products compete with domestic ones, and that continued interest or protection of the Islands increases the danger of becoming involved in war, is believed to be unworthy of the United States.

The economic problems are much in the foreground at present. Of these I am not qualified to speak. It would seem appropriate, however, to state that the committee or conference which investigates and recommends on the future economic relations between the United States and the Philippines should be composed of broad-minded competent men who do not represent the special interests of either country and who will adopt as a basic policy governing their investigations and findings the necessity of safeguarding the economic situation of the Islands for a reasonable period after their independence.

The future of the Islands is not promising from an international aspect.

Prominent individuals in Japan have announced in times past that these islands lie in the Japanese sphere of influence and that she should have a determining voice in their future.

It is unlikely that Japan will enter into any neutralization treaty. It has been stated by prominent men in Japan that once the United States leaves the Islands, they can never return.

Mr. Maximo Kalaw, President of the Philippine Japan Society, in an article in the Philippine Yearbook for 1936 speaks of the strong support received from Japan by the Filipinos during the Filipino-American War of 1899.

The Japanese Navy has strongly advocated an advance to the southward as the most logical direction for expansion, while the Army has backed expansion on the Asiatic mainland, and has forced the adoption of their plans. The gradually increasing strength of China may lead to future acceptance of naval ideas.

Apart from the present general unrest and uncertainty in the world, the flagrant violation of treaties and the rights of other nations in recent years by Japan and Italy has created an ominous situation.

Many Americans have stated in the past that it would have been far better for the United States had Admiral Dewey left the Philippines after destroying the Spanish Fleet. It might have been. But at present, what would have happened to the Philippines is quite clear. Germany would have acquired the Islands from Spain, and Japan would have taken them from Germany in 1914.

All present indications lead to the conclusion that Japanese influence to the southward will increase as time goes on. There will be extension of economic interests, fisheries, emigration, and, when the time is propitious, incidents and occupation.

Great Britain cannot consent to a Japanese occupation of the Philippines if the European situation will permit of her taking a strong attitude in the Far East. Conditions in Europe, however, are especially dangerous, and under certain quite probable conditions, positive action in the Far East on the part of Great Britain may be out of the question.

The Philippine Army alone can never prevent the landing and occupation of the Islands by Japan. It can carry on guerrilla warfare and delay enemy operations, but for years to come, an army equipped in all branches - gas, aviation, light and heavy artillery, tanks, etc., will be beyond the financial ability of the Filipinos to provide. Without outside assistance, occupation and eventual subjugation are inevitable, if the invader is not prevented by other powers.

One of the arguments advanced by many prominent men and some of the press in the United States for our leaving the Philippines and the Far East is that our economic interests are too small, and the risk of war too great to permit of our remaining in this area.

The first American ship to visit China sailed from New York on February 22, 1784 and arrived in Canton in August of the same year. For more than 150 years the United States has taken a leading part in the Orient. On the whole, it has been an honorable part. There was some hypocrisy in decrying England's wars with China and at the same time claiming participation in the advantages gained thereby.

We never seized territory, however, or claimed special trade privileges. One of our policies, the "Open Door," probably saved China from partition.

Now we find strong advocates for our withdrawal from an area containing half of the population of the world, where we have been interested and have played an active part for 150 years, on the ground that it is unsafe to remain, that the trade is inconsiderable and that our national security will be enhanced by a withdrawal of our military and naval forces to Honolulu and the Pacific Coast.

The time has passed when a great nation can increase her safety by such a method. The world has shrunk too much. The first American ship from New York to Canton required over 160 days to make the voyage. Now it can be made by plane in 8 days. Telephone conversations can be carried on between the two cities.

We had no possessions in Europe in 1914 but were in the World War three years later.

Security is best maintained by policies which are just to other nations, and backed by adequate force. It is not maintained by a supine withdrawal from areas where trouble may happen. Areas in the world where trouble may not happen today are very limited.

The Tydings-McDuffie Act requests the President "at the earliest practicable date, to enter into negotiations with foreign powers for the perpetual neutralization of the Philippine Islands, if and when Philippine independence shall have been achieved."

I would interpret this clause to mean that such negotiations shall be begun and carried through to completion now in advance of independence, with whatever nations are willing to enter into such an agreement, the agreement going into effect upon the date of independence.

The clause also does not specify with how many, or what nations, the agreement shall be made. It is assumed that it may be made with one or with several nations. Naturally it would be made with the powers having interests in the Far East: Great Britain, Japan, China, Russia, France, and the Netherlands.

The interesting question arises as to the effect of the retention of a U.S. Naval base on such a neutralization treaty.

Off-hand it would appear that the retention of a U.S. Naval base and a neutralization treaty are incompatible.

In such a case, would Congress be willing to substitute for the above clause one providing for the "perpetual independence of the Philippine Islands"? A treaty containing this clause would be entered into by foreign powers on the understanding that the United States is free to maintain such naval bases as had been agreed to by the United States and the Philippines. Naturally, such an agreement will be approved by only such nations as are interested in maintaining the status quo in the Far East.

Philippine independence is not going to be a simple matter. It involves on the part of the United States grave and far-reaching decisions as to the future policy in the Far East. It produces an unstable condition in this part of the world which may eventually lead to another general war unless a treaty guaranteeing Philippine independence can be agreed upon by the United States, Great Britain, and France. I do not believe the United States can evade the responsibility of negotiating such a treaty.

The following is a summary of the views expressed in this memorandum:

- (a) Philippine independence will eventually take place unless prevented by the will of the Filipino people, or by some major domestic or international upheaval.
- (b) The bulk of the Filipino people are apathetic over independence; many apprehensive; some opposed.
- (c) Independence cannot last unless:
 - 1. The economic situation between the United States and the Philippines is satisfactory.
 - 2. The international safety must be guaranteed by treaty.
- (d) The economic problems should be dealt with by able and impartial experts.
- (e) The United States has a responsibility in the future of the Islands that cannot be honorably evaded.
- (f) Japan is the nation whose foreign policy is the most important to the permanence, or otherwise, of Philippine independence.
- (g) The Japanese Navy has openly advocated expansion to the southward.
- (h) The Philippine Army as at present designed cannot prevent occupation by Japan if the latter has a free hand.
- (i) A fully-equipped Philippine Army cannot be realized for a long time due to cost.
- (j) "Neutralization" treaties and retention of U.S. naval bases appear to be incompatible.
- (k) Treaties guaranteeing "independence" might meet this objection.
- (l) Great Britain, France, and the Netherlands would be glad to enter into such a treaty.

- (m) The United States is confronted with a momentous decision as to the future policy in the Far East - whether to remain or to withdraw.
- (n) Our national security is not increased by a withdrawal from the Far East.
- (o) Our future policy should be that of the past - "The Open Door in China," and a treaty with Great Britain and other powers guaranteeing the independence of the Philippines.
- (p) The future happiness and security of 16,000,000 people depends on a broad-minded, just, and sympathetic consideration by the United States of the vital questions that will confront the Philippine nation when independence is achieved.

Very sincerely,

H. E. YARNELL,
ADMIRAL, U.S. NAVY
COMMANDER IN CHIEF
U.S. ASIATIC FLEET

The Honorable J. Weldon Jones
U.S. High Commissioner
to the Philippine Islands
Manila, Philippine Islands

