JAPANESE - AMERICAN RELATIONS 1938 - 1939:
FREEDOM OF NAVIGATION ON CHINA'S RIVERS

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Gary L. Baugher
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JAPANESE - AMERICAN RELATIONS 1938 - 1939:

FREEDOM OF NAVIGATION ON CHINA'S RIVERS

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CHAPTER I

INTRODUCTION: U.S. INTERESTS IN CHINA AND RELATIONS WITH JAPAN CONCERNING CHINA

The objective of this thesis was to bring the problem of free navigation on China's rivers, following the outbreak of hostilities between China and Japan, under examination.

The introduction is concerned with a brief analysis of the treaties and policies the United States had with China prior to the outbreak of fighting between China and Japan in 1937, plus a brief sketch of events prior to January 1, 1938. In chapter II of the thesis, the problems between Japan and the United States concerning the Yangtze and Pearl Rivers are discussed and chapter III is concerned with the economic interests of the United States in Japan and China as well as congressional debate on the wisdom of having United States naval vessels on China's rivers. Chapter IV examines closely the case for Japan and the case for the United States concerning navigation on China's rivers. The last chapter contains a summary.

In the introduction and throughout the paper authoritative secondary sources are used, however, the introduction is almost completely based on secondary source material whereas the balance of the paper is taken from
primary sources. This primary material consists of an edited collection of messages sent from the ambassadors and consuls in China and Japan to the Secretary of State. Material, generally speaking, was sparse on this subject, and in addition it must be remembered that almost all the material came from authors who were favorable to the United States; articles written in American newspapers, American periodicals, and United States' State Department publications. Under the circumstances, it was impossible to look at or obtain Japanese publications on the subject be they official or unofficial.

The American and Japanese positions regarding the problem of free navigation on China's rivers will be examined in great detail. To accomplish this task, the problem has been divided into chronological periods. The first period extending from January 1, 1938, to December 31, 1938, and the second period covers the same dates but a year later, 1939. Naturally not all China's rivers were of great importance thus it was necessary to eliminate consideration of some rivers. The Yangtze and Pearl Rivers were chosen because of their commercial importance to the United States, Japan, and China.

The United States was very slow in gaining concessions and concluding treaties with the Chinese when compared with the other European powers such as Great Britain.
Britain was one of the first western countries to enter China and gain concessions from her thus opening China to the imperialism which existed in European economic philosophy at that time. The first treaty which the United States obtained from China came in 1844, gave the United States, under article XVII of the treaty, the right:

At the places of anchorage of the vessels of the United States, the citizens of the United States, merchants, seamen, or others sojourning there, may pass and repass in the immediate neighborhood.

This treaty gave Americans the right to get off the vessels and for pleasure or business roam the immediate area, however these areas were sea ports at this time, not inland ports on rivers. Not completely satisfied with this treaty, the United States sought to negotiate another treaty fourteen years later in 1858. Under this treaty, in article XIV, the United States was granted the following:

The citizens of the United States are permitted to... reside with their families and trade there, and to proceed at pleasure with their vessels and merchandise from any of these ports to any other of them.  

This increased the rights of Americans in China from a mobile trader who would come and go into a more permanent


\footnote{Ibid.}
type of operation where families were allowed. The last treaty previous to the date of the substance of this study between the United States and China was in 1903. In this treaty, which contained the most-favored-nation clause, under article XII, China granted the United States these rights:

The Chinese government having in 1898 opened the navigable inland waters of the Empire to commerce by all steam vessels, native or foreign, that may be specially registered for the purpose for the conveyance of passengers and lawful merchandise, - citizens, firms and corporations of the United States may engage in such commerce on equal terms with those granted to subjects of any foreign power.¹

This was the extent of United States' agreements with China. The most-favored-nation clause contained in the 1903 treaty was very essential for the United States because this gave her a chance to trade at all ports no matter who controlled them. It is a well known fact, yet easily forgotten by western powers, that all these concessions were extracted from China under the threat of arms. This is a very important point because Japan was to fling this fact back into the face of the United States when she protested closure of important Chinese rivers.

Another agreement entered into by the United States and several other powers that dealt with China but was not an agreement which she signed, was the "Open Door" policy.

¹Ibid., p. 217.
originated by John Hay, the Secretary of State under President William McKinley, which produced a vagueness effect on American policy throughout the period of this work. After the Boxer Rebellion, the "Open Door" policy was pushed by the United States in an effort to get foreign powers not to discriminate against American businessmen in ports under their control. John Hay sent a letter to each of the powers involved but never received a positive reply, nevertheless, he announced that all had agreed to the "Open Door." 1 The United States thus stood on shaky ground when using the "Open Door" to object to Japan's closing of navigation on China's rivers. The Nine Power Treaty signed in 1922 by China, Japan, France, Italy, Netherlands, Belgium, Portugal, Britain and the United States pledged to respect the sovereignty, independence and integrity of China, and to uphold the "Open Door." 2 This treaty the United States would use many times against Japan, saying she had broken it when China's rivers were closed.

The Yangtze Patrol enters heavily into the picture when dealing with the problem of free navigation. As the


foreign powers received concessions to trade up river, foreign settlement occurred which in turn brought the demand for protection which was met by patrolling the rivers with gunboats. ¹ The Yangtze River was the most important, therefore, a whole group of American vessels were used to patrol the river, which was called the Yangtze Patrol. The United States entered into the act of sending gunboats up the Yangtze when in 1903 the first boat sailed on its initial patrol. ² This practice was not well received by the Chinese and resulted in many incidents, one of the more notable involving a Britain ship the Cockchafer in 1926, with the provincial army of Szechwan at Wanhsien. ³

On July 7, 1937, fighting broke out between Japan and China at the Marco Polo Bridge near Peking, thus starting an undeclared war which was to greatly affect Japanese - American relations and navigation on China's rivers by American vessels. The situation on China's rivers was normal until August 13, 1937, when the Japanese moved against Shanghai, enabling them to control the mouth of the Yangtze.


³ Hudson, Taylor, and Rajchman, loc. cit.
River. With this outbreak of hostility the American people became very anxious about their role in China. This anxiety was expressed in late 1937 through congressional debate, a Roosevelt cabinet meeting, public opinion poll, and President Roosevelt's attitude.

In Congress Representative Hamilton Fish of New York made an attack on American policy in China during a debate on August 3, 1937. In this debate Hamilton stated:

Why ... 10,000 to 12,000 American citizens there, and we do only $50,000,000 of export business? We are spending this year approximately $10,000,000 in China . . . to keep our armed forces, including naval detachments, there.

We have 10 gunboats, for what purpose? I defy any single member of Congress to point out for what good or needful purpose. Ten American gunboats to patrol Chinese rivers; the rivers of a nation with whom we are at profound peace.

... If there is a big war over there, we might become involved as a result of maintaining armed forces in a foreign country.¹

This same concern was expressed in a cabinet meeting held in August, 1937, which had a spirited debate over the fact of recalling our forces from China at the time Roosevelt had urged the State Department to do so.² During this


same eventful month of August, 1937, a public opinion poll was taken by the American Institute of Public Opinion which asked the following question:

Should we withdraw all troops in China to keep from getting involved in the fighting, or should the troops remain there to protect American citizens?

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<th>Withdraw</th>
<th>Remain</th>
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Not only was public opinion against United States involvement in China but the President had misgivings which were reflected in his attitude as expressed on September 6, 1937, when he said that Americans in China had been urged to leave, and if they chose to stay, they did so at their own risk. At the same time he made it known that naval facilities had been utilized for the evacuation of Americans but many had refused.²

The diplomatic channels were rather quiet until Japan moved against Shanghai on August 13, 1937. In an inner service message from the Navy Department to the Secretary of State dated September 6, 1937, one of the first complaints was lodged concerning Japanese warship formation on the Yangtze River:

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² Borg, op. cit., p. 325.
... may I point out that vessels, naval and merchant, of other nations have equal right to navigate the Yangtze and Whangpoo rivers with those of Japan.  

American relations with Japan in reference to free navigation of China's rivers were cool but not critical just before the dawn of 1938, but an incident took place which heightened tension, the sinking of the USS Panay on December 12, 1937, while on the Yangtze River. The Japanese immediately apologized and paid for the damages suffered by the United States.

On December 21, 1937, Vice Admiral Kiyoshi Hasegawa, Commander-in-Chief Imperial Japanese China Sea Fleet, sent the following message to the allied Admirals through Admiral Harry E. Yarnell, U.S.N., Commander-in-Chief United States Asiatic Fleet:

... the Japanese Navy is happy to render assistance to vessels of the third powers which are desirous of proceeding down stream from the upper reaches of Nanking to Shanghai under the following understanding: (1) Eight vessels will make one group and with our convoy proceed down at their own risk ... Moreover, in view of the fact that minesweeping operations as well as mopping up operations of the scattered Chinese troops are still going on along the river, it is the desire of the Japanese Navy that foreign vessels including warships will refrain from navigating the Yangtze except when clear understanding is reached with us.


2 Ibid., p. 757.
The American and allied position was put forth rather boisterously in their reply to Admiral Hasegawa's note. The reply was sent on December 23, 1937, and contained the following:

With regards to the movement of warships, we will of course notify the Japanese authorities on the river of intended movement whenever practicable and will in any case be particular to give information of any intended movements through the Kiangyin barrier for the present. We cannot, however, accept the restriction suggested by your letter that foreign men-of-war cannot move freely on the river without prior arrangement with the Japanese and we must reserve the right to move these ships whenever necessary without notification.

The allied position indicates that it was quite possible for the allies to move any warship without notification to the Japanese even though a war was being waged with the river being used as a main line of invasion by the Japanese and this system of notification was for the safety of the third powers.

As the dawn of 1938 was appearing on the horizon, the free navigation of China's rivers, which were under Japanese control, started to become a very serious issue between the two countries. The irrational bombing of the USS Panay by the Japanese and the rather sharp reply of the allied admirals to Admiral Hasegawa's note did not help a strained situation. The position of these countries, as put forth in Hasegawa's note and Yarnell's reply, was to

\[1\text{Ibid.}, p. 758.\]
stay much the same throughout the period covered by this study, yet there were differences and intensifications in language and demands. It must be remembered that this note and reply set the stage not only for the Yangtze River, but for the Pearl River as well.
CHAPTER II

NAVIGATION ON CHINA'S RIVERS, JANUARY 1, 1938
TO DECEMBER 31, 1939

China has many rivers; some large and others small, however, for the subject of this work, it was necessary to reduce the number of rivers considered to two; the Yangtze and Pearl Rivers. The Yangtze was chosen because it is in the center of China and the best means of communication with the interior because it is navigable for 2,000 miles from the sea and in many places is more than a mile wide. Shanghai, which is not on the bank of the Yangtze, acts as a seaport for the whole Yangtze basin.\(^1\) The Pearl River was selected because, next to the Yangtze, it carries much of China's supplies and trade. The Pearl River is in south China and leads up to the city of Canton. River traffic is important on the Pearl River allowing ships of 10,000 tons to call at Whampou, Canton's outer port, and vessels of 9-foot draft sail up river to Wuchow which is the limit for Ocean-going ships.\(^2\) The Yellow or Hwang Ho was eliminated because the physical characteristics make it unnavigable for

\(^1\)Hudson, Taylor, Rachtman, op. cit., p. 116.

vessels of any great size, and its importance as a waterway is less than many other smaller streams and very much inferior to the Yangtze or Pearl Rivers.¹

I. NAVIGATION ON THE PEARL RIVER, JANUARY 1, 1938 TO DECEMBER 31, 1939

The Pearl River was very important to the life of China while she was fighting Japan and just as important to Japan because this was a means of supply for China. The magnitude of this volume of shipping supplies via the Pearl River to China was indicated in a memorandum of the American State Department:

It is estimated that over seventy-five percent of the military supplies imported into China since the start of the hostilities have been routed through Hong Kong.

... From the standpoint of supply, continued large scale Chinese operations are contingent upon ... keeping the present route via Hong Kong open until efficient substituted routes can be established ... ²

Hong Kong was very important to the Chinese because arms were shipped up the Pearl River to Canton and then distributed into China proper. The arms came from the United


States, Britain, Denmark, Holland, Germany, Italy, Norway and many others but these were the major suppliers. These arms included machine guns, airplanes, gunpowder, tanks, sulphuric acid, anti-aircraft guns, bridge material, railway material, bombs, ammunition, and motor lorries.\(^1\) It was essential for the Japanese to cut this route of supply which they began to do in early 1938.

The first restriction to navigation on the Pearl River came from the Chinese which was reported by Irving N. Linnell, the Consul General at Canton to Cordell Hull, Secretary of State on February 4, 1938, and stated the following:

\[
\ldots \text{Foreign vessels starting this morning from} \\
\ldots \text{Canton to Hong Kong returned to port of} \\
\ldots \text{departure} \ldots \text{under orders of Chinese military} \\
\text{authorities. Understood Pearl River not physically} \\
\text{blocked as yet. Official notice has been received} \\
\text{that the channel into the West River has been} \\
\text{completely blocked.}^2
\]

The Japanese were soon to make their demands concerning the Pearl River and on March 21, 1938, the Japanese Foreign Minister Koki Hirota sent a circular note which stated:

The Japanese Navy is now taking measures to make even more effective the blocking of communications at the mouth of the Pearl River near

\(^1\)Ibid., p. 597.


Canton... Among such vessels, there are a number which proceed on courses which render them liable to be confused with enemy vessels. 1

In order to enforce the first message with authority, another message was sent by Mr. Hirota dated the same day, and advised:

... the Chinese are now extensively using junks for the transportation of arms and munitions in the vicinity of Canton... making even more strict the control of such junks, it may become necessary to subdue by force those junks which offer resistance. Accordingly... it is requested... that junks belonging to American nationals carry vertical and horizontal markings clearly discernible from a distance. 2

After this barrage of diplomatic messages which clearly put forth Japan's position concerning the stopping and searching of junks near the mouth of the Pearl River, there was a long period of silence about the river. It was not until October that trouble again started to make its appearance. During this lull, the Japanese were busy with their invasion along the Yangtze River basin and it was not until the fall of Hankow and the aftermath of the Munich Conference that the Japanese felt strong enough to move against Canton. Thus closing the flow of arms from Hong Kong via the Pearl River to Canton. The Chinese knowing that this invasion of Canton was imminent, warned the third powers on October 13, 1938, that the Pearl River could be closed anytime and later

1Ibid., p. 147. 2Ibid., p. 148.
that day the Chinese authorities did close the river.\textsuperscript{1} The American Ambassador in China, Nelson T. Johnson, was well aware of what the Japanese were planning when he sent the following message to the Secretary of State on October 19, 1938:

\begin{quote}
... It may also be expected that with ... the blocking of the Pearl River the Japanese will cut Hong Kong completely off from all contact with the Chinese mainland ... \textsuperscript{2}
\end{quote}

The full scale invasion for the capture of Canton began in late October and the Japanese Embassy in China sent the formal message announcing the closure of the Pearl River to third power navigation, saying:

\begin{quote}
(1) The whole region traversed by the Pearl River becoming a zone of intense fighting from today ... the third powers whose naval vessels and merchant men are now located on the Pearl River ... are hereby requested to take steps to have such ships take refuge ...

(2) It is hoped that the third powers concerned will inform the Japanese naval authorities as soon as possible of the location and movements of their naval vessels and merchant men on the Pearl River ... 

It is further requested that such ships be clearly marked so as to render them easily distinguishable by our air, naval and land force.

(3) Upon capture of the boom which the Chinese have constructed ... the Japanese naval force will open ... a passage necessary for our military operations. And we trust it may be understood that this passage ... cannot be made available to any ships other than those serving the military needs of the Japanese forces ... \textsuperscript{3}
\end{quote}

\textsuperscript{1}Ibid., p. 494. \textsuperscript{2}Ibid., p. 188. \textsuperscript{3}Ibid., pp. 189-190.
This message was an indication of the position to be taken by the Japanese on the Pearl as well as on the Yangtze River. With the Pearl River sealed off by the Japanese to Canton, the Chinese announced on October 29, 1938, that they were going to place a boom at Dosing which would block the river approach to Wuchow. After receiving the message from the Japanese that the Pearl River was closed to navigation, the third powers, in this case Britain, tried the Japanese by asking permission to move a gunboat on the river. Japanese Rear Admiral T. Sugikara replied to this request on October 30, 1938, when he said:

... no movements of vessels could be permitted at this time and the British gunboat Cicala was refused permission to proceed to Kongmoon.

So as to remove all doubt from anyone's mind concerning navigation, the American Consul General at Canton, Irving N. Linnell passed to the State Department a message received on October 31, 1938, from the Japanese which stated:

... that joint military and naval headquarters at Tokyo had sent instructions that river was closed irrevocably and that no vessels could pass at Samshier and referred further to the general notification of October 22.

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1 Ibid., p. 519.


The Japanese were making sure the third powers understood the status of the Pearl River because again on November 2, 1938, the Japanese Consul General let it be known that the Pearl River would be handled the same as the Yangtze, thus no foreign vessels could go from Canton to Hong Kong for a number of weeks but Japanese vessels would be allowed on the river.¹ This hard line by the Japanese appeared to be the policy they were to take concerning the navigation of the Pearl River, however on November 7, 1938, the Japanese Consul General notified the Consular Corps at Canton of the following:

The Japanese Navy has opened the Chinese barriers at second bar and hill passage (Pearl River) for Japanese military operations . . . .

The use of this passage by third power warships . . . decided to give favorable consideration . . . as from November 10 under the following conditions:

1. Warships must navigate at their own risk.
2. When absolutely necessary . . . the Japanese Navy must close such passage temporarily.

(6) . . . third powers should give the Japanese Navy adequate previous notice regarding names and time and date of intended passage.²

This break through did not provide for commercial traffic but only gunboats of third powers. 1938 was to come to a close with the situation on the Pearl River remaining the

¹Ibid., p. 194.
²Ibid., p. 199.
same as the conditions stated in the message of November 7, 1938. This closure of the Pearl River affected Britain much more than the United States because Hong Kong was a British colony. The closure of the Pearl River stopped the flow of military supplies to Free China, was a threat to the food supply of Hong Kong, and would destroy a highly profitable commerce. As a direct result of Japan's closure of the Pearl River, and her rejection of protests against this act, the British Export Credits Guarantee Department was influenced to provide £450,000 of credit to the Chinese Government.¹

The year 1939 opened on the same note that 1938 had ended but on February 5, 1939, word was received by the American Consul General at Canton, Myrl S. Myers, from the Japanese that the Pearl River would be closed because of military operations and was not due to reopen until February 10, 1939.² The Pearl River was reopened on the date indicated in its former restricted use. For the next four months the situation was to remain calm but by July, 1939, the United States was to end this period of relative silence.


The reason this silence was broken was that American merchant men were feeling the economic effect of the closure of the river. Secretary of State Cordell Hull, on July 5, 1939, gave the following instructions to Myrl S. Myers at Canton:

... indicate that the Japanese authorities are directly responsible for the situation and that it cannot be remedied without removal of Japanese restrictions ... make appropriate representations to the Japanese authorities ... requesting that Japanese restrictions be removed to the end that there may be an early resumption of shipments.

... the Department suggests, that you utilize the occasion to express to the Japanese authorities concern over the continued closure of the Pearl River ... and that restrictions on trade be promptly removed.

The reply from the Japanese was not long in coming and on July 12, 1939, the following answer was received:

... that the Pearl River continued to be kept closed for military reasons ... that the Japanese authorities have refused applications from Japanese for the export of particular goods ... and that he regretted that it was not possible to do anything in the case.

This reply by the Japanese was very final in its tone, however the door to hope that the river would be reopened to commercial traffic was not completely shut when Maxwell M. Hamilton, Chief of the Division of Far Eastern Affairs, reported a conversation he had with Mr. Suma the Counselor of the Japanese Embassy in China on July 19, 1939, which stated:

\[^{1}\text{Ibid.}, \text{p. 421.}\] \[^{2}\text{Ibid.}, \text{p. 423.}\]
the Japanese Government was giving special study to the situation at Canton and to the effects of that situation on American commerce. . . . the Japanese Government was looking into the whole matter with a view to expediting the opening of the Pearl River.

Because of military necessity the Japanese again closed the Pearl River to navigation of gunboats for about a two week period starting on July 22. The fighting around the Pearl River delta continued for quite some time and this area was never completely secure from attack by Chinese forces throughout the Second World War. After the two week closing in July, the river was once again opened but only to third power gunboats not commercial vessels.

Another calm of four or five months settled over the problem of free navigation on the Pearl River. The biggest reason for this calm was the events taking place in Europe which drew the attention of the United States as well as Japan to European affairs. Japan was extremely interested because she was a member of the Anti-Comintern Pact and the United States was concerned about her western friends Britain and France. The river remained in the status quo until December 15, 1939, when the Japanese closed the river to third power gunboats for the remainder of the month because military necessity demanded it.

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1 Ibid., p. 430.  
2 Ibid., pp. 790-791.  
3 Ibid., p. 794.
On the last day of December, 1939, the first favorable word came from the Japanese authorities concerning the reopening of the Pearl River to commercial navigation. In a message from Myrl S. Myers at Canton to the Secretary of State, the following was reported:

According to information received from the commissioner of Customs, the Japanese Consulate General advised him that the Pearl River will probably be opened within a few months for steamer commercial traffic during the day. \(^1\)

The year 1939 ended in much the same situation as 1938, however, 1939 ended with a note of optimism whereas 1938 ended with no hope of any change. The message of December 31, 1939, put a ray of hope in an otherwise hopeless situation. Only in the month of July did the United States strenuously protest over the closure of the Pearl River but these protests were not followed because the situation in Europe drew the attention away from the Far East. The closure of the river had serious consequences on Free China because over seventy-five per cent of her military hardware came through Hong Kong which in turn shipped this hardware to Canton via the Pearl River. \(^2\) This action required China to find a new line of supply which was developed through the Burma road and shipments from Russian Siberia. Commercial traffic was completely halted and through this action both

\(^1\)Ibid., p. 799.

\(^2\)Reference footnote two (2) page thirteen (13) this paper.
Great Britain and the United States became directly involved. Because of Japan's inaction over the protests which Britain lodged against the closure of the river, Britain was persuaded to grant the Chinese Government a loan in late 1938. The final status of the river, until the outbreak of World War Two, was settled in early 1940, when the Japanese and British agreed to a limited commercial navigation. The agreement reached contained the following:

... under the agreement one similarly chartered vessel will be allowed to ply between the two cities once a week and a fortnightly British service will be permitted - conditional upon the British ship leaving Hong Kong at such a time it will arrive in Canton in daylight.  

The final arrangement of the Pearl River certainly did not provide for free commercial navigation, but compared to the previous situation it was a small compromise, nevertheless, this was a step forward and not backward on a status quo situation as had existed the two years prior to this agreement.

It is hard to point the finger of guilt at the Japanese and condemn them for their action of stopping commercial traffic, because it was well known to them that China obtained seventy-five per cent of her military supplies

1Shuhsi Hsu, Japan and the Third Powers, III, (Shanghai: Kelly and Walsh, Ltd., 1941), pp. 544-545.
through the Pearl River, thus making it a necessity to put a stop to this influx of military supply. It is equally as hard to point a direct finger of guilt at the Americans or British. Although it is true that much trade in arms was carried on between China and Britain and the United States, it is equally true that much of this trade was strictly commercial. Thus some type of compromise settlement could have been tried but both sides became rigid in their stands and no one wanted to try to resolve their differences.

II. NAVIGATION ON THE YANGTZE RIVER, JANUARY 1, 1938 TO DECEMBER 31, 1939

The Yangtze River was important to China because of trade but also it was used as a main line of communication from the interior to the sea coast. China handled much important foreign trade along the Yangtze River and western countries such as the United States, Great Britain, France and Russia had trade interests in inland ports on the Yangtze. The United States as well as other countries established a patrol of gunboats on the Yangtze to keep American interests along the river safe.¹ When the Chinese-Japanese War broke out, the Japanese invaded central China, thus coming into direct contact with American navigation which was soon stopped.

¹See footnote one (1) page six (6) above.
When 1938 began the relations of the two countries were growing worse because of the USS Panay incident on the Yangtze and the closure of the river to commercial traffic. The month of January was a rather active month in the discussion of free navigation on the Yangtze. On January 5, 1938, a message was sent to Admiral Kiyoshi Hasegawa of the Japanese Navy from Admiral Harry E. Yarnell, U.S.N., Commander-in-Chief, United States Asiatic Fleet, in which the latter stated:

"On December 28, the American Ambassador in Tokyo informed the Japanese Government that the United States claimed absolute freedom for their ships to move and trade on the river and that the United States Government looks to the Japanese authorities to give prior warning in regard to any area on the Yangtze becoming, through steps taken by them, a dangerous area.

In view of the above, I cannot accept a policy which prevents the free navigation of the Yangtze River by the United States naval or merchant vessels."

This note was an indication of American determination not to cooperate with the Japanese while they were fighting the Chinese, and Secretary of State Cordell Hull, in a memo to Vice President John N. Garner, added his own touch when he said:

"... The American Government is always upholding principles, as it has always done. It has asked and is asking that the right of the United States and the right of our people be respected, and at the same time it has sought and is seeking to avoid involvement of this country in the disputes of other countries."

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2. Ibid., pp. 433-434.
The position taken by the United States was evolving into a single demand for complete freedom to navigate a river which was in the middle of a war zone. This principle of complete freedom of navigation was given top official sanction in a message from the Secretary of State to the Consul General at Shanghai on January 15, 1938, which stated:

Please inform your Japanese colleague that while we are ... informing the Japanese and Chinese authorities, when and so far as practicable, of the movement of our vessels, the implication contained in this letter that the navigation of American vessels on the Yangtze may be limited by Japanese military or naval stipulations is not acceptable and that we claim for our ships absolute freedom to move and trade on the Yangtze.¹

In May, 1938, the Japanese restated their position in regard to free navigation on the Yangtze in response to a British protest over the use of the river. The Japanese spelled out clearly when they would open the river in the following manner:

... It goes without saying then, that, when the safety of navigation of general shipping on these waterways can be guaranteed and the necessities of strategical considerations disappear, the freedom of such navigation will be restored.

... to open this section to navigation by general merchant shipping would be to court the grave danger of our strategic secrets falling into the hands of the Chinese and in the above circumstances, it is not yet possible to open the Yangtze to the free navigation of the shipping of the powers.²

¹FRUS, I, p. 761.
²FRUS, 1938, The Far East, IV, op. cit., pp. 149-150.
The Japanese position was rather rigid yet not as rigid as the United States' position which ignored the reality of a war being fought, although undeclared, between Japan and China, with the Yangtze as a major route of transportation for the Japanese in supplying their troops.

In June the Japanese Minister-at-large in China, Mr. Matsayuki Tani, made a request to all the allies about changing the color of ships for easier identification by Japanese fliers, however this request was countered immediately in the reply by the American Ambassador in China, Nelson T. Johnson:

... with reference to suggestion contained in second letter that the United States naval vessels should be made more distinguishable 'such as painting the greater part of the vessel scarlet or in other colors,' this suggestion cannot be considered. United States naval vessels on Yangtze are painted white with large American flags painted on their awnings. These flags and nationality of vessels should be apparent to any aviator at several thousand feet altitude.

The Japanese replied to the American denial to consider changing the color of its vessels on the Yangtze, with a note that expressed their regret that the United States would not consider painting their vessels and restated their wish that the United States would reconsider because their fliers had trouble distinguishing neutral from enemy ships.

This controversy was continued when the United States wanted

1FRUS, I, op. cit., p. 600.

2Ibid., p. 155.
to move its gunboat, the USS Monocacy, down the Yangtze.

The Japanese requested the following of the USS Monocacy:

••• In view of the Japanese Navy's experience that flags on masts or spread on awnings are not visible from great heights, and as the river from a height appears white and the color of a vessel's hull therefore is difficult to distinguish, the Japanese Navy desires that appropriate distinguishing marks (s) be used by the Monocacy.1

In August the problem was ended but not solved in a note from the Japanese Minister to Ambassador Nelson T. Johnson which contained strong language and a warning:

••• that many a vessel flying a third power flag has been noticed operating in a suspicious manner in the immediate vicinity.

It is inconceivable that any third power vessel engaged in a peaceful trade should venture to be in such a dangerous place, and those vessels flying third power flags are considered to be Chinese military ships disguised as foreign ships for the purpose of evading attack from the Japanese forces.

It is to be recalled that the Japanese Navy, being anxious to avoid any possible mistake, requested on 11 June to be kept informed of the whereabouts of each vessel both naval and mercantile, of a third power, in the above mentioned region ••• and the sole means of distinguishing a neutral vessel from an enemy vessel is the notification by the former of its whereabouts.2

When the Secretary of State received the above message, it made him realize that the United States should moderate its position. With this realization, Mr. Hull sent a note of instruction to Ambassador Nelson T. Johnson:


I suggest that there be avoided express refusals to comply with Japanese or Chinese requests, suggestions or notifications; that if and when replies are made, their tone be made conciliatory; and that movements and operating of vessels be at all times such as to avoid fact or implication of being obstructive.

In this message the United States reaffirmed its policy to notify the Japanese where its ships were located and this was given more confirmation by the Secretary of State when a message was sent to Joseph Grew, Ambassador to Japan, which stated that the American Government was trying to pursue a course which recognized that hostilities were in progress but would be pursued in accordance with reason, therefore, the United States Government would notify both Japanese and Chinese officials of the movement of American vessels to avoid areas of hostility. The agreement by the United States to notify the Japanese of movements did not however solve the problem of free navigation which was reaffirmed by the United States in a reply to a Japanese message concerning the movement of the USS Monacacy:

... No restriction on the primary right of American vessels to navigate any part of the Yangtze River as may be necessary to safeguard our interests or nationals can be accepted.


2 FRUS, op. cit., p. 169.

3 Ibid., p. 173.
In August an issue was raised over the public use of the opening cut through the boom at Matang. In a message from Joseph Grew to Cordell Hull the Japanese position as put forth by General Ugaki, was:

... He did not think he could subscribe to our argument that that section of the Yangtze under discussion is at present a public waterway because the Japanese have made great sacrifices in opening the boom at Matang simply for military purposes and their standpoint is in their opinion one of pure logic.¹

This difficulty as the ones previous to it, was not solved because the United States only reacted in a way which angered the Japanese. The American position was put forth as follows:

... that having themselves cut a passage through the boom at Matang, the Japanese authorities have a right to close that passage to foreign vessels. This government of course cannot admit any such right or the validity of the basis invoked in support of that asserted right.²

As the summer months ended, there was no change in policy by either side in the many issues which confronted them during this period. The problems were not to get better, because the invasion of the Japanese forces continued, which of course included more intensified use of the Yangtze River. The river was used as a main line of assault on the Wuhu cities and finally the climax of the whole campaign was the fall of Hankow in late October.

¹FRUS, 1938, The Far East, IV, p. 171.
²Ibid., p. 169.
During the months of September and October, the main concern for the United States was the economic effect the closing of the Yangtze River was having on American businessmen and American resistance to a Japanese request for all foreign ships to leave the Hankow area. The economic problem was put forth in a message from the Embassy in China to the Secretary of State on September 8, which complained:

... It seems clear from the evidence which has been obtained by American and British businessmen here that ... Japanese merchant vessels are in fact carrying commercial freight for Japanese firms.

... The refusal of the Japanese to permit non-Japanese foreign commercial navigation on the river and their refusal to carry non-Japanese commercial freight on their own commercial vessels (is) resulting in constant difficulties to Americans engaged in legitimate business and other activities in this area.  

This type of information was passed to Joseph Grew, who was in the process of making an official protest to the Japanese over the handling of the Chinese War in general with emphasis on abuse to American property. The problem of free navigation on the Yangtze was mentioned in relation to the economic hardship caused by its closing, but the note centered mostly on the closing of the so-called "Open Door."  In response to the Japanese request that the third powers move their ships up river from Hankow ten (10) nautical miles, Joseph Grew sent a copy of the British reply

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1Ibid., pp. 467-468. 2FRUS, I, p. 789.
to the Secretary of State who authorized Grew to reply in like manner. The message stated that the British refused to move their ships and claimed that they were marked well enough. The British further declared that as long as British interests remained to be protected, British gunboats would remain at Hankow.\footnote{FRUS, 1938, The Far East, IV, op. cit., pp. 192-193.}

November, 1938, was a very eventful month because it marked the strongest protest given to Japan by the United States over the issue of freedom of navigation on the Yangtze. The arguments of both countries were much the same as in months passed because the Japanese related that it was necessary to close the river due to Chinese guerillas, floating mines, protecting Japanese military secrets, and supplying Japanese armed forces with supplies while the United States protested this closing because there was no fighting along the Yangtze River below Hankow, Japanese commercial activity was being carried on, and the river channel was large enough for foreign vessels as well as Japanese. The complete diplomatic process of delivering this note; from authorization and suggestions of the Secretary of State, the actual note delivered, to Japan's reply is contained in the appendix of this paper.\footnote{FRUS, I, pp. 791-796.}
Grew later in November, proposed a joint protest by the United States, Britain, and France concerning free navigation on the Yangtze but the Secretary of State advised Grew to postpone this note for a few weeks after which time approval was granted. This joint note was to be separate and similar but not copies of each other. The American note of this joint protest was sent on November 21, 1938, with the British and French notes coming later the same month. These notes were anticlimatic because they only echoed the sharp American note of November 7, 1938.1

Nevertheless, on November 30, 1938, a note of hope was expressed by Vice Admiral Oikawa when he delivered the following memorandum to American naval authorities in China. After listing all the objections to navigation by third powers gunboats, he went on to say:

... in view of the fact that a considerable time has elapsed since war vessels belonging to the Navy of your country were blocked up on the Yangtze by the Chinese forces and that these vessels may have been suffering from various inconveniences, I am ready to consider rendering ... facilities for the navigation of only the warship on the following conditions:

Affirm. The navigation shall be effected solely on your own risk.
Baker. Only the down river navigation of the warship stationed on the Yangtze River between Wuhu and Yochow, and the upriver navigation of the relief warship not exceeding the original number of ships to be relieved at each station in the said area, shall be allowed.

1FRUS, 1938, The Far East, IV, pp. 203-204.
Cast. Downriver transportation of your nationals residing in the said area and transportation of foodstuffs by the warship navigation up or down the river in accordance with (Baker) shall be allowed.

Dog. The navigation shall not hamper the Japanese military operations.

Easy. . . . when carrying out the above mentioned navigation, shall, in particular respects, be escorted and their course be swept by Japanese vessels, and they shall be conducted by Japanese vessels when crossing a boom or a defense net . . . 1

Thus 1938 ended with the Japanese putting forth a compromise but the Americans never replied to this in a favorable manner, which indicates again that another chance to ease navigation problems was ignored by the United States.

From the very beginning the problem of free navigation on the Yangtze was a difficult one, but instead of being solved it became increasingly more difficult. The positions in January, 1938, by the Japanese and Americans were essentially the same in December, 1938, but between these two dates many important questions arose. The question of correct marking, warning American ships of danger zones, American's notifying Japanese where their vessels were located, at all times, on the Yangtze, American protests over unfair commercial practices, and finally American protests over the closing of the Yangtze to commercial traffic of third powers. All the official messages sent by the Japanese and American officials dealing with the Yangtze in January left room for constructive talks or

1 Ibid., p. 206.
compromise, however it was evident, especially in the case of marking ships for easier identification, that the United States actually refused to even consider compromise or even discuss the possibility. The attitudes of the two countries concerning freedom of navigation were steadily growing more fixed and immovable which was indicated in Ambassador Grew's note of November 7, 1938, to Hachiro Arita and Mr. Arita's reply on November 14, 1938. (See Appendix.)

The year 1939 opened with the situation much the same as in November of 1938, thus the two countries were at an impass concerning the Yangtze with neither side willing to give an inch toward compromise.

Early in January a ray of optimism appeared through the diplomatic clouds when the Consul General at Shanghai received a report from Mr. Abend of the New York Times which stated:

... he has been informed by three highly placed Japanese diplomatic and military representatives ... that the Japanese authorities had planned to reopen a portion of the Yangtze River in October but that the publicity given to the American protest of October 6 and subsequent publicity given to the firming of the attitude of the American Government has retarded partial reopening of the river since such action would appear to be yielding to American and British pressure.¹

This unofficial view was followed by the views of Mr. Fukuoka of Domei news agency in Tokyo which generally represented the official government view and thusly can be

¹FRUS, 1939, The Far East, III, pp. 774-775.
assumed to be fairly reliable. This attitude was expressed to Frank P. Lockhart, Counselor of the American Embassy in China, on January 12, 1939, and stated the following:

2. The Yangtze will probably be opened soon to commercial navigation as far as Wuhu. The reason for its continued closure has not been a desire to monopolize all trade, which the Japanese know could not be accomplished, but to prevent foreign shipping and other firms from acquiring the bulk of the trade for themselves during a period when Japanese commercial vessels are commandeered for military purposes and are not available for purely commercial purposes . . . 1

These unofficial reports of a softening of the Japanese attitude were the first indication of the Japanese willingness to talk about the problem since late November, 1938, thus a very important breakthrough. The grapevine once more let it be known that the Japanese might accept a settlement of the navigation question if certain criterion were included. From an unofficial source, Joseph Grew reported the following terms which the Japanese reportedly desired in any would be settlement:

. . . He had also noticed a tendency of the Japanese to consider that the Yangtze River question should be settled by means of business arrangements between the private interests concerned. The main difficulty was the fear of the Japanese officers and businessmen that, once foreign shipping had been admitted, the Japanese ships would run empty; one way of avoiding this would be a profit sharing arrangement which would guarantee Japanese shipping against losses due to purely political circumstances. The profits would be shared pro rata according to the amount of commercial tonnage operating on the river. 2

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1Ibid., p. 355. 2Ibid., p. 355.
Even though these representations were unofficial, it would appear that if an agreement were desired some type of response would have been forthcoming from the United States, however, there was no indication of a response to these feelers put forth by the Japanese. The only indication of a reaction was a note of instruction sent on February 9, 1939, from the Secretary of State to Joseph Grew, which advised:

Please approach the Foreign Office in such manner as you deem appropriate and after calling attention to the continuing adverse effects upon American interests resulting from restrictions imposed by the Japanese authorities upon freedom of navigation on the Yangtze, urge that early action be taken to remedy the situation.¹

This was the only response the United States made to the many unofficial Japanese feelers, and unfortunately it was a negative response that contained nothing new nor were any new ideas expressed in it which Grew could present to the Japanese authorities as an alternative or compromise to their position, thus once more the United States was unwilling to compromise on the issue of total freedom of navigation on the Yangtze. On February 10, 1939, Ambassador Grew sent a very optimistic message to the Secretary of State in which some individual Japanese in the government expressed their opinion. Grew reported the following:

... These individuals (Japanese) are concentrating on the question of Yangtze navigation partly because the wide attention it is receiving abroad would give its settlement correspondingly wide and favorable attention and desire because the Japanese

¹Ibid., p. 360.
military authorities are said to be ready to hear arguments on this case.

There was no State Department reply to this information which Grew sent, and again, another opportunity was passed in which a positive reply might have started talks toward a settlement. Three days later, Ambassador Grew notified the State Department of information from the Japanese Foreign Office, which indicated through the attitude expressed in it, a desire to reduce the tension between the two countries. The message stated:

... the question of transporting foreigners up the Yangtze is gradually improving and cited in this connection passes granted in respect of seven applications made through the American Consulate General, Shanghai, to proceed on transport Unyo Maru which left Shanghai for Hankow on February 8. ... 2

Joseph Grew notified the State Department on February 18, of another report which contained in it the seeds for discussion about the problems of the Yangtze. The message stated:

1 Ibid., p. 361.

Admiral Yonai (Japanese Minister of Navy) after denying that the Yangtze, in principle, is 'an international river' or 'the common property of third powers,' admitted the value of its commercial use to the life of the Chinese people and said, 'while I, cannot at the present time, make a definite statement because of the existence of strategic necessities, I hope that the opening will materialize as quickly as possible.  

This quote from Admiral Yonai definitely contained a ray of hope especially in the last line where it is indicated that a settlement would be welcomed immediately by the Japanese if the settlement were acceptable to them, however, there was no record of an American reply to these statements. It is remarkable that there is no record of reply by the United States to answer the Japanese probes which were extended, both official and unofficial. Thus the situation did not improve between the two countries simply because, as the record indicates, the United States did not respond to the opportunity.

A period of silence fell upon the dispute until the month of April, however, during this period of silence, the Japanese hardened their attitude to the navigation question which was in direct response to the neglect of the United States in answering their probes. An indication of a stiffer attitude, after the failure of the United States to respond, was indicated in the following message from Clarence E. Gauss to the Secretary of State on April 3, 1939:

While the avowed purpose in organizing the Nanking Transport Company was to foster the development of Japanese shipping enterprise on the Yangtze River. The apparent intention to concentrate more completely in Japanese hands control of all shipping facilities through the elimination of competition appears to offer little encouragement for the view that a voluntary relaxation of the Japanese commercial shipping monopoly on the Yangtze River is being seriously contemplated.

On April 20, this rigid inflexible attitude of the Japanese was reflected more forcefully in a memorandum by Sumner Welles, Under Secretary of State, which stated:

"... The cases of the American citizens seeking passage on American naval vessels especially emphasize the long continued interruption of the normal movement of commercial traffic on the Yangtze although it is well known that Japanese commercial vessels move freely up and down the Yangtze. The urgency of a prompt rectification of the situation on the Yangtze is indicated by the fact that there are now at Hankow awaiting passage to Shanghai twenty Americans, some of whom have been trying for two months to obtain passage. only one American has been able to proceed from Hankow to Shanghai since February 22 of this year."

As indicated in the two notes of April, the Japanese had tightened their restrictions on the Yangtze after lifting them slightly in January and February as a gesture to the United States but this was ignored which gave the Japanese no choice but to tighten the restrictions on navigation.

For another two months the diplomatic exchanges were very slow. The restrictions of the Japanese were made

1 FRUS, 1939, IV, op. cit., p. 783.

2 FRUS, I, pp. 836-837.
another notch tighter; when in June, passengers on American gunboats came under Japanese restrictions. This new regulation stated:

... foreign civilians wishing to travel down river ... must travel in ships designated by the Japanese authority; that foreign civilians wishing to land from gunboats or ships in this war zone will be refused (permission to land) unless they have a pass from the Japanese military authorities at the port of embarkation . . . ¹

The month of July was a quiet month except for a controversy which erupted over the request of the United States to allow a merchant ship full of wood oil to proceed from Hankow to Shanghai.² This would appear to be a simple request, which it was, but these discussions were not enlarged by the United States to the fullest advantage because the talks concerning the movement of this merchant ship were not to become general talks concerning the whole question of navigation. This instruction was given by the Secretary of State to Clarence E. Gauss at Shanghai in the following manner:

... You should if possible avoid a discussion of the general question of navigation on the Yangtze and should of course avoid any commitment which might prejudice either future similar requests or the position of this Government in regard to the general question of navigation on the Yangtze.³

¹FRUS, 1939, IV, op. cit., p. 336.

²Wood oil or Tung-oil tree and is used in manufacturing of protective coatings, such as paints and varnishes.

The Japanese finally permitted the ship to travel from Hankow to Shanghai but not before making it wait for a period of time, which gave the appearance that the ship was allowed to leave because the Japanese ordered it when they desired, and not under American pressure.

The problem of transporting nationals on American ships was again brought to the forefront of diplomatic channels when the Japanese restated and relaxed their restrictions in an August 8th message. The new restrictions were to permit certain types of passengers who would then be allowed to go ashore. The new regulations stated:

...we are prepared to approve the following: Army and Navy officers and their families, Diplomats, Consulate staffs and their families. With regard to the transport of your nationals on your gunboats on the downward trip, we request that consultation be held in advance with the Japanese authorities on the spot. As regards the transport of third power nationals, both up and down, the Japanese authorities would welcome a decision of the third power authorities to avail themselves of the Japanese military and naval transports as heretofore, instead of using their own gunboats.1

Once more the Japanese relaxed their policy concerning the Yangtze River, thus making it possible for the United States to reply in a manner which might start talks that could have developed into a settlement of the whole navigation question. Nevertheless, the American attitude would not allow for any type of interference with transporting of her

nationals implied or actual by the Japanese authorities even though a war was being waged by the Japanese forces in China. The Secretary of State instructed Rear Admiral William A. Glassford how to reply to these new rules for transporting of nationals on American gunboats in an August 9th message which stated:

... in the Department's opinion it would be advisable to make clear to the Japanese authorities that the question of our right to transport American nationals on our naval vessels in China is not admissible as a subject for negotiation or discussion with agencies of any other government.¹

This type of reply is rather baffling in light of the Japanese ability not to let, through force, anyone ashore. Nevertheless the United States did not even attempt to talk with the Japanese about this one aspect of navigation and flaunted a superior attitude which could not have possibly made the Japanese more friendly toward the United States. The Japanese note contained some compromise and suggestions whereas the American attitude was very blunt and extremely uncompromising.

September dawned with the problems unsolved and the two countries becoming more polarized in their positions. The Japanese had twice tried to relax tension and get talks started but each effort was ignored or rejected by the United States. In early September the Charge in Japan,

¹Ibid., pp. 365-366.
Eugene H. Dooman, sent a note requesting the unconditional opening of the Yangtze however this was an impossible request to make to the Japanese, thus the reply stated the following:

... the ... closing of the Yangtze River is being carried out for strategic reasons; ... expediting the transportation of men and military supplies for Japan's armed forces, protection of the secrecy of military actions, elimination of one route of assistance to the Chiang Kai Shek regime, maintenance of peace and order, consideration of the effect of the removal of the blockade upon the popular mind et cetera.\(^1\)

In this message the same reasons have been given that were given in 1938 by the Japanese for not opening the river to general navigation by third power vessels. Mr. Dooman filed the following summary to the Secretary of State after receiving the Japanese reply. Mr. Dooman's summary contained the following:

... navigation on the Yangtze which involves a fundamental right of the foreign powers, is regarded by the Japanese as subordinate to Japanese military needs and that the Japanese do not propose to discuss definite settlement of individual cases of this character apart from other far-reaching problems.\(^2\)

In this summary by Mr. Dooman is the principle on which the United States stood, that freedom to navigate China's rivers was a right, making it undeniable, and would not compromise this stand no matter what type of action the Japanese were

\(^1\) _FRUS, 1939, The Far East, III_, p. 455.

\(^2\) _FRUS, 1939, IV, op. cit.,_ p. 81.
willing to take. As September ended the problem was no closer to a solution than it was earlier in the year.

In late August, 1939, a new Prime Minister came to power in Japan, General Nobuyaki Abe, and after appointing a cabinet and getting other things in order, wanted to find a way to improve the relations between the United States and Japan. On November 21, 1939, Joseph Grew notified the Secretary of State of the following:

A highly placed Japanese has called on me twice within the past few days immediately after seeing the Prime Minister and in anticipation of a further interview with Prime Minister shortly. He said that the Prime Minister is profoundly anxious to improve Japanese-American relations but that 'he does not know what to do.' He would like to open the Yangtze to American navigation and trade but such a step had been found to be strategically and practically difficult at the present time... \( ^1 \)

This offer by the new Prime Minister was very significant in view of the fact that in September, 1939, the United States did not renew the treaty of commerce and navigation with Japan because the United States was very dissatisfied with Japan's conduct of the war against China and her interference with American "rights." This advance by the Japanese through unofficial lines could not be ignored by the United States as was the advances of January and February. To prove their point, the Japanese, on December 18, released the following message dealing with the lower Yangtze basin and stated:

\[ ^1 \text{FRUS, 1939, The Far East, III, pp. 597-598.} \]
Conditions along the lower Yangtze River have, of late, permitted a gradual relaxation of the absolute military requirements which have necessitated the closure of the river.

In view of the above and in order to meet this situation, the Japanese military and naval authorities in the field have decided to launch various preparations with a view to reopening the Yangtze below Nanking, subject to restrictions necessitated by military requirements and by measures for the maintenance of peace and order.  

This message indicated that the Japanese were truly willing, through official channels, to discuss the Yangtze question and willing to open a portion of the river, under certain minimal restrictions, to navigation. On December 21, Joseph Grew reported in a message that the British and Japanese shipping firms were talking of pooling their operations on the Yangtze. The dispatch stated:

...Jardine, Matheson (British shipping firm in China) had been in touch with a number of Japanese interests concerning a Japanese proposal for pooling foreign shipping on the Yangtze, and that the former were interested in the proposals, especially if American shipping is brought into the pool. I reported the matter... in view of assurances by Craigie (British Ambassador in Japan) that he had advised Jardine against present participation...  

Another indication of Japanese willingness was demonstrated in this message because this same type of solution had been put forth in January but was completely ignored by the third powers. Why Craigie requested that the British firm not participate immediately in this pool, if it could have

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1Ibid., p. 795.  2Ibid., pp. 795-796.
been created, is not understood. The next day, the Japanese informed Frank P. Lockhart, American Consul General at Shanghai, that the Yangtze River would be open within two months to the city of Nanking with a minimum of restrictions which were to be formulated by the Japanese military and naval authorities. If this proved satisfactory, the river would then be opened to the city of Hankow. Upon receiving this message, Mr. Lockhart asked the Japanese why any restrictions were necessary. Mr. Miura, Japanese Consul General at Shanghai, sent the following in reply:

... that guerrilla bands were still a menace in some spots and also that it has thus far been found difficult to prevent the river from being used as a source of supply for these bands and for Government troops which can be reached through river connections. He stated that the restrictions to be imposed will be based entirely on military necessity ...

The American diplomats were still taking the unrealistic attitude that navigation should be as it was before the war broke out between China and Japan; yet the Japanese had to consider their military position which was something the third powers refused to realize. On December 26, 1939, the British Embassy notified the United States' State Department that the Japanese had given their restrictions for navigation on the Yangtze to Nanking. The restrictions were:

1) Military Regulations, mainly concerned with safeguards against transport of munitions to enemy forces.

2) Customs House arrangements.

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1Ibid., p. 796.  2Ibid.
3) Arrangements between shipping interests (a pooling arrangement was contemplated under which dividends would be guaranteed thus avoiding unfair advantage being taken of Japan's present inability to participate fully in this trade).

4) Precautions against profits made by Chinese out of resumption of this trade being used for purchase of munitions by the Chinese National Government.

5) Currency arrangements . . . .

. . . it was proposed to apply the same measures mutatis Mutandis to Pearl River.¹

Unfortunately the United States did not react immediately to these Japanese restrictions or conditions on opening up the Yangtze for navigation to Nanking. On December 28, an article in the Japanese newspaper Kokumin related just exactly what the Japanese expected from the United States if the Yangtze were to be reopened. The article stated:

To the Foreign Minister's preliminary effort to improve relations with America by the Yangtze offer the American Government has responded merely with certain administrative measures designed to mitigate the effect of a treatyless condition.²

The Japanese were wanting a concrete reaction from the United States which would indicate a true desire to have the Yangtze River open. The concrete reaction the Japanese wanted was some type of formal trade agreement with the United States. The year 1939 came to an end, and it was very similar, in many respects, to 1938. The future of the river was decided when the United States developed a policy of restriction to be used in any discussion of feelers presented by Japan. The American restriction was:

¹Ibid., pp. 797-798. ²Ibid., p. 633.
The Government of the United States shares the view of the British Government that any conversations that may be required should not be enlarged into the negotiation of any formal agreement...1

Once more the third powers were not willing to reach a general agreement on the Chinese situation which the Japanese wanted and were pushing. The Yangtze River remained closed to third power shipping until Pearl Harbor blew the problem into insignificance.

In dealing with the problem of navigation on the Yangtze River, the situation did not change much in relation to the Japanese and Americans. The United States, in early 1938, took the position of demanding complete freedom of navigation for its gunboats and merchant vessels, and this position never changed throughout 1938 and 1939. The American position was very inflexible, whereas the Japanese, throughout the same time period, had offered to ease pressure and when a negative answer was forthcoming, the pressure was increased or reinstated. All the Japanese requests or regulations were either protested or not agreed to by the United States; from the request of a change in color of American ships, refusal to move ships from Hankow, the January-February, 1939, relaxation by the Japanese trying to create a climate for a settlement, only to be rejected by the United States, to the refusal in

1Ibid., p. 800.
November-December, 1939, by the United States of another try by the Japanese at reaching a settlement. The American position was very unrealistic simply because, although the United States paid lip service to the reality of a war being waged between China-Japan, through many actions the reality of war between the two countries was not taken into consideration. In too many places the United States refused to cooperate or talk with the Japanese when, if this had been done, a possible solution or compromise may have been established. The United States was not interested enough in Japan's discussion feelers to even call her bluff if she were bluffing, thus an unrealistic position took hold of American policy.

The Americans did have some very good arguments to support many of their protests, such as; Japanese merchant vessels were not all carrying military supplies, after 1938, navigation below Hankow would have been safe for third power vessels, and the Yangtze River channel was a good mile wide at places thus allowing enough room for many ships to pass in opposite directions. These were very good valid facts which the United States used in protest to the Japanese, nevertheless, when the Japanese reacted in a manner which indicated a desire to relax some restrictions on navigation, the United States invariably regressed to the worn out, unrealistic position of demanding complete freedom of navigation which the Japanese simply could and would never allow.
The Pearl and Yangtze Rivers were to remain closed to commercial navigation by third power vessels throughout the Chinese-Japanese War. The situation on the two rivers never changed from January, 1940 to December 7, 1941.
CHAPTER III

JAPANESE AND AMERICAN CASES EXAMINED

Concerning the problem of navigation on China's inland rivers, both sides had many substantial reasons for their positions. This chapter will present facts and testimony which was used by both sides to justify their actions and protests. The Japanese case will be examined and then the American case will be examined.

The Japanese claimed, with perfect truth, that when the Chinese blocked navigation of their rivers at the outbreak of fighting in 1937, by mining the channels and constructing booms across channels, the third powers did not protest. Evidently they found closing the rivers to keep out an invader a justifiable act of self-defense, and during time of war a necessary military measure. The Japanese claimed that this warfare was still in process. The Yangtze is the main route into the interior of China, and the Japanese claim that the presence of third power shipping would hamper the movement of their warships and transports, and could result in military secrets reaching the Chinese.¹ The problem of secrecy was heavily stressed by the Japanese

¹Hallett Abend, "Japan Argues Her Case," Living Age, CCCLVI (August, 1939), 527.
which was indicated in a message to Lieutenant Colonel
Harry T. Creswell, United States military attache in Japan,
from Colonel Nishi, who was head of the American section
of the Japanese General Staff, and stated:

... the need for secrecy in the preparation and
conduct of operations is such as to render it very
unwise to permit circulation of individuals of other
than Japanese nationality within the zones of the
armies or along their lines of communication. In the
past, operations have been frequently harmed through
the activities of persons who had been permitted
opportunities for observation in reporting their
observations to the Chinese ... 1

The Japanese were very angry over the fact that the
United States claimed they practiced unfair commercial
favoritism and had all but closed the "Open Door." The
Japanese stated that when China closed the Yangtze, which
barred foreign goods from access to the interior, thus
throwing trade to Chinese-owned businesses, the third
powers did not protest about closing the "Open Door." The
Japanese felt, "This was due to favoritism from a senti-
mental sympathy for China." 2 The Japanese were quick to
point out that the United States did not protest when the
Chinese destroyed American property. This charge was born
out in a dispatch of the New York Times, which stated:

2 Abend, loc. cit.
Applying their 'scorched earth' tactics, the defenders blasted two pontoons of the Standard Oil Company of New York and other buildings that might be of use to the invaders. Oil company officials themselves sank a third pontoon, seeking to prevent its total destruction.¹

The Japanese were correct when they contended that their zones of occupation in China, "were not necessarily safe zones in which they care to assume any remote responsibility for the safety of third power nationals . . ."² The Japanese did not care to have the indirect responsibility by giving third power nationals clearance to return to zones of occupation for residence or to trade. The Japanese felt this way because, through the guerilla tactics of the Chinese, the whole country was one vast battlefield.³

The Japanese had good reason not to want third power vessels engaged in trade on the Yangtze in view of the fact that they needed free passage without interference from foreign vessels, on the channel and through the booms. The Japanese had to gather together a great fleet to supply her forces in China. The Japanese made the following demands on her merchant marine fleet:

... The offensive against Hankow and Canton required the mobilization of an additional 750,000

¹New York Times, July 12, 1938.
²Abend, op. cit., p. 528.
³Ibid.
tons of shipping space. Additional tonnage was needed to strengthen the forces in Hankow and beyond in their abortive move against Chansha. In December, 1938, no less than 1,750,000 tons were employed by the military.\footnote{Kurt Block, "How Japan Feels the Strain," Asia, XXXIX (July, 1939), 374.}

The tonnage quoted above is great and it is difficult to expect these returning vessels to return to Japan empty, thus many of them did return to Japan with commercial products. The Chinese were keenly aware of the fact that, "Japan's continental forces on the far-flung battle-fronts are dependent on the shipping link with the homeland and thereby vulnerable."\footnote{Ibid., p. 375.} With this in mind, the Chinese retreated to create a long supply line for the Japanese and make guerrilla warfare much more effective.

A less published factor why the Japanese did not allow foreign shipping was:

\footnote{Abend, "Japan Argues Her Case," p. 528.}

. . . the natural wish to conceal . . . the very precarious hold they have upon the areas on both the north and south banks of the river . . . . Those areas are almost completely dominated by guerrilla and bandit gangs, and Japan fears that if she permits Third Power shipping to use the waterway, then many neutral ships might be fired upon from the shore by mistake; this will show fully that the Yangtze is merely a hazardous line of communication instead of being a great river flowing through a tranquillized occupied territory in which rehabilitation is supposed to be making marked progress.
Another reason for closing the rivers which the Japanese used but one which the United States and others completely ignored was:

... Japanese naval and land forces acting in cooperation forced the booms, reduced the Chinese forts, and cleared the channel of mines for their own military purposes. These results were accomplished only at large expenditure of lives, treasure and effort, and therefore in a very real sense, the Japanese contend, the Yangtze may legitimately be regarded as one of the prizes of war.\(^1\)

The Japanese had many and varied reasons for not opening river navigation in China, but most were very closely connected with the military which should have been recognized by the United States with a war being waged by Japanese forces in China.

The American position like the Japanese was varied with many excellent and some not so excellent facts to back her position.

The American position as a whole was based upon the agreements it had made with China concerning the navigation of her rivers. This position can be broken into three parts: an economic position which was by far the greatest; a position which proclaimed the reason for closing the Yangtze due to military reasons as inadequate; lastly, the case of principle based on former agreements.

\(^{1}\text{Ibid.}\)
The economic problem dealt with commerce which the United States accused Japan of engaging while not allowing foreign powers to navigate the rivers. The United States had many reports of the Japanese engaging in commercial activity such as:

Reports from Hankow . . . told of great Japanese shipping activity. From the time of Hankow's fall to November 8, Japanese said, the number of arriving and departing ships totaled 2,587. There were 1,738 arrivals and 849 departures. 1

Shuhsi Hsu in his book, Japan and the Third Powers, stated that Rear Admiral Masao Kanogawa admitted there were a few isolated cases of Japanese ships carrying ordinary cargo along the Yangtze. 2 Foreign observers stated that Japanese ships not only carried military supplies but many commercial articles for trade and that these ships upon returning down river were filled with raw material. 3 In fact, the Japanese so controlled the rivers that:

. . . no shipping can reach their docks or warehouses unless Japan is willing. Japan is there in a position to freeze out all foreign business interests if it choses, by simply isolating the foreign-controlled communities and taking the rich Yangtze trade. 4

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2 Hsu, Japan and the Third Powers, op. cit., p. 531.


4 "Will Japan Hog China's Trade?" Business Week, (December 4, 1937), 53.
The question which naturally came to the minds of the officials of the United States' State Department: What was Japan planning to do with the trade of the Yangtze River? The answer was found when these officials realized that the following was true: all the inland waterways from Shanghai to Lake Taihu had been made a monopoly for the Japanese firm, Shanghai Inland River Navigation Company.¹

The military explanation used by the Japanese for closing the rivers to navigation by the third powers was not accepted by the United States because the Americans felt the Japanese were using it only as an excuse to keep merchant vessels of foreign powers from trading. The expression of doubt dealing with this reason for closure was expressed through many unofficial channels such as that expressed in the following:

... The contention that Japanese military vessels would be impeded has no foundation in fact. That Chinese guerrillas fire on Japanese war vessels and transports has no bearing whatever on the subject ... It is admitted that the Chinese have been letting mines loose in the river, but if third power neutrals care to take the risk of that on a waterway ... it is entirely their business.²

Another reason the American Government could not believe the military explanation was that it took the Japanese much

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¹John Ahlers, Japan Closing the "Open Door" in China, (Hong Kong: Kelly and Walsh, Ltd., 1940), p. 58.

²Hsu, Japan and the Third Powers, pp. 517-518.
too long to clear the rivers of booms and mines. From a non-governmental source testimony was collected to support this American view:

... that booms, mines, and brigands make Yangtze shipping above Kiangyin unsafe, and that prior to the removal of those obstacles mercantile shipping on the river cannot be resumed. As a matter of fact, for two years the Japanese have not allowed any foreign ships to navigate the river above Kiangyin.1

The American Government did not believe the Japanese when told that vessels of the United States could not navigate the rivers under Japanese control because of military reasons, and because the United States did not accept this as an excuse she accused Japan of unfair commercial discrimination.

The position taken, which was based on principle of past agreements such as the "Open Door," was the weakest case for the United States. The "Open Door," which no one could define or knew just exactly what it meant, was not agreed to by all the powers in 1900, and although Japan agreed to it at the Washington Naval Conference in 1921, nevertheless it was a very ambiguous phrase. The United States used the "Open Door" policy to advance her case against Japan concerning freedom of navigation when she said Japan shut the "Open Door" in closing the Yangtze and Pearl Rivers. Not only was the "Open Door" used but older

1Ahlers, op. cit., p. 57.
treaties were used in defense of free navigation which completely ignored the fact these were extracted from the Chinese by force.

The two nations had some valid reasons behind their respective positions. The main problem was the United States' refusal to admit that a war was in progress which through necessity caused the status quo of the rivers to be altered to fit the desires of the invader. On the other hand the Japanese refused to realize that American commercial interests were vital to its foothold in China. Both countries had good reasons, but the fact that a war was being waged, with the Yangtze and Pearl Rivers being used as a means of invasion, proves to make it difficult in clearly seeing the reality of the American demand of complete and total freedom of movement on the rivers.
CHAPTER IV

ECONOMIC INTEREST OF THE UNITED STATES IN CHINA
AND CONGRESSIONAL DEBATE ON UNITED STATES
FORCES IN CHINA

American opposition to Japanese restriction of
navigation on the rivers of China was primarily based on
economic reasons. This fact requires an answer to a very
important question; just what was the American investment
in China?

In 1930 Americans had invested approximately
$860,000,000 in Asia. This totaled only five and one-half
per cent of all American foreign investment on that date.
Less than half of this was in Japan and not quite one-
fourth each in China and the Dutch East Indies.¹ This
answer only serves to bring another question to fore: How
does this investment in China compare with other countries?

Our investment remained comparatively small. In
1931 British investors held 36% of China's foreign
loans, Japanese 38%, French 16½%, American 7%. Be-
tween 1914 and 1931, British holdings increased very
slightly, French decreased considerably, while Japanese
increased 23 times and American six times.²

¹Quigley, Far Eastern War 1937-1941, p. 197.
²Ibid., p. 36.
The above quote measures the amount of loans certain countries had granted to China yet it is a very important measure for explaining which country had the greater interest in China. It is interesting to note that the American percentage was the lowest of those listed.

In the following table it is possible to discover who, between China and Japan, was the best customer for the United States in both imports and exports to and from the two countries.

**TABLE I**

**SHARE OF CERTAIN FAR EASTERN COUNTRIES IN THE FOREIGN TRADE OF THE UNITED STATES**

Expressed as percentages of U.S. imports and exports

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<th>1936</th>
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<td>7.0</td>
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<tr>
<td>Exports to:</td>
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<tr>
<td>China</td>
<td>1.9</td>
<td>1.5</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Japan</td>
<td>8.3</td>
<td>6.6</td>
<td>6.5</td>
<td>7.0</td>
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Expressed as percentages of their imports and exports

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<th>1936</th>
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<tr>
<td>Share of U.S. in</td>
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<tr>
<td>Imports of:</td>
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<tr>
<td>China</td>
<td>19.6</td>
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<td>27.6</td>
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<td>22.5</td>
<td>20.6</td>
<td>15.6</td>
<td>17.9</td>
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</tbody>
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1Ethel B. Dietrich, *Far Eastern Trade of the United States* (New York: The Haddon Craftsman, Inc., 1940), appendix II and III.
If all questions were decided by economics, this table very strikingly pictures with which country it would be best for Americans to keep good relations. In almost every area, Japan was a far better customer than China, and this was the case before the start of the war between them. The troubled years 1937-1939, show only a small decrease in American exports to Japan and imports from Japan, but in 1939, this small decrease began to disappear. The year 1939 brought an increase of .5 of one per cent point in imports and exports to and from Japan and although this is a small increase, it is very important because the United States supposedly had a moral embargo on Japanese goods. As a further expression of what the United States had invested in China and Japan, in terms of dollars, the following table is given:

| TABLE II1 |
|---|---|
| VALUE OF EXPORTS (INCLUDING REEXPORTS) OF U.S. MERCHANDISE, BY COUNTRY DESTINATION 1790 TO 1957 (FIGURES IN MILLIONS OF DOLLARS) |
| | CHINA | JAPAN |
| | Ft#6 | 289 |
| 1937 | Ft#6 | 240 |
| 1938 | Ft#6 | 232 |
| Ft#6--Less than $500,000 |

1Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957 (Washington: Government Printing Office, 1957), p. 550. (Ft#6 is included in this footnote because it is part of the table.)
In the three years represented on the table, American investment in Japan declined fifty-seven million dollars but this does not represent a sharp decrease when a moral embargo had been declared against Japan.

China was not nearly as good a market for American goods as was Japan and in addition Japan's trade was greater with the United States than was China's measured in dollars not percentage. The figures for Japan (Table I) show a steady decline in the amount of Japanese exports to the United States, but this was only a reflection of the evolutionary process of poor relations between the two countries. If the United States were to base its policy on pure economics, the Japanese would have been the ones with whom to keep relations friendly.

Congressional debate over American forces in China started late in 1937 and essentially ended in early 1938. After the sinking of the USS Panay, many members of Congress were demanding to know why the United States had a river patrol and troops stationed in China. The debate was sharp enough that Cordell Hull sent a memo dated January 7, 1938, to Vice President John N. Garner to explain American naval presence in China.

... Of the 44 vessels of the Asiatic Fleet, only 13 are now in Chinese waters and of this 13 only 9, consisting for the most part of small, river gunboats, are on duty exclusively in
Chinese waters. These 9 gunboats have a total personnel of 69 officers and 896 men.1

Later Mr. Hull held a news conference in which he elaborated what the American position was to be in China and what advice American nationals had received from their government. Some of the points in the news conference were:

... He points out that while our nationals have been urged to withdraw in the face of present dangers, some six thousand of them remain in China ...

... He points out that the small force of American troops in China is there by explicit treaty sanction of the Chinese Government. He points out that the maintenance of such forces for the protecting of our interests in zones of special danger is a traditional and time-honored policy of the United States ...

The old gadfly of the Yangtze Patrol, Representative Hamilton Fish of New York, in debate on the floor of Congress in early 1938, wanted to know the following about these gunboats:

... They were built in China for a specific purpose. I want to know why they are there. I want to know what use they are in China. I know the Yangtze River is filled with Chinese mines ...

and if our American gunboats continue to operate up and down this river one of them ... will be blown up by a mine, and then we will have another incident to deal with. I say, in the name of peace and peaceful relations, either take these gunboats out of China or give us some reason for their being there.

... They have been there for 30 years and more than 30 years, under Republican administrations as well as under Democratic administrations ... I

1FRUS, I, p. 430.

submit unless we want further incidents we should take these gunboats out of China . . . I submit we ought to act on this question, and if we need to safeguard the interests of our people in China, let us have one airplane patrol up and down the rivers with machine guns, which can do more than 9 gunboats to cope with pirates, if there are pirates left in China . . . .

With such reaction by Congress of which Mr. Fish's statements was only one, the Secretary of State felt compelled to answer the questions which had been raised by Mr. Fish, so a letter was sent to the Senate to explain the whys in the policy of keeping a naval patrol in Chinese rivers. The letter stated:

... the United States has . . . maintained gunboats in Chinese waters since the 1840's primarily for the purpose of contributing to the protection of American citizens . . .

American armed forces in China are there for the protection of American nationals primarily against mobs or other uncontrollable elements. They have no mission of aggression . . .

Not all the congressional debate took place on the floor of the Senate or House of Representatives but many Senators and Representatives carried their crusade to the nation through radio addresses. The Representative from Washington, John M. Coffee, spoke out in favor of getting involved in China's affairs when he stated in a radio address:


Do not construe this statement as justifying the maintenance of gunboats for the sole protection of investments of major oil companies and international bankers. We should not abandon China to its fate.

In another radio address Herman P. Kopplemann, Representative from Connecticut, presented a completely different view by stating:

... The American people are psychologically geared for peace. What then is their reaction to an increasing physical preparation for war? If I can judge from the reactions I have received, they do not like it. They are demanding that we stick to our business here; they are demanding that we remove Americans and American boats from the fighting zones lest we become involved.

Congress was divided as were the American people, however the debate over the deployment of American forces in China continued until the bombing of Pearl Harbor. Congress would debate cold and hot on the question of American forces in China but never, during all this debate, was a change in this force passed in Congress which would indicate an approval of administration handling of the problem.

Neither the economic advantage of trade with Japan nor Congressional debate over American forces being in China could change the course of action the administration of Franklin D. Roosevelt had continued in relation to the stationing of American vessels in China's rivers.


2 Ibid., p. 706.
CHAPTER V

SUMMARY AND CONCLUSION

This thesis has examined the question of free navigation on China's rivers, in some detail. It should be noted that the background for the period was one of restrained harmony until the outbreak of the Japanese-Chinese War in 1937. It was not until December, 1937, that a serious incident occurred between the two countries. The Japanese sank the USS Panay in the Yangtze River and this incident helped to sharpen the tension between the two countries. Almost immediately the two countries settled on a policy that would be kept in vogue throughout 1938-1939. The Japanese position was simply that it had a right to regulate commerce and trade on the rivers of China by third powers because military necessity required it. The United States completely rejected the thesis that the Japanese could regulate third power trade and reserved the right to navigate freely.

Navigation on the Pearl River was the subject of much debate between the United States and Japan. The Japanese position was very clear concerning this river, because on this river traveled over seventy-five per cent of China's arms. It was, therefore, a necessity of war for the Japanese to cut this arms flow. Some of the biggest
suppliers of arms for the Chinese were Britain and the United States. Japan never completely opened the Pearl River to free navigation. The American and British position was one that demanded complete freedom of navigation which was in disregard for the war that was in progress between Japan and China. The two countries became polarized concerning the Pearl River, thus both refused to negotiate over the status of the river.

The Yangtze River was much different from the Pearl River in the handling of the problem of free navigation. The Japanese had to use the Yangtze as an invasion route, and thus felt it was a right of theirs to regulate trade or to stop trade by third powers. The United States felt that her vessels had the right to navigate anywhere and at any time on the Yangtze. In the case of the Pearl River, the two did not try to reach any type of settlement but with the Yangtze both were to, at times, try and make an agreement. The Japanese in early 1939 made a direct effort to get talks started to enable a settlement but this was ignored completely and once again in December, 1939, a direct effort by the Japanese was made in order to start talks but this to was skillfully and diplomatically rejected. The United States made an indirect appeal for talks to start by agreeing to notify the Japanese naval authorities where their ships were located, and by removing ships from
potential danger zones. This compromise of principle by the United States went unnoticed by the Japanese. After each rejection by the United States, the Japanese would tighten the restrictions and create some new restrictions or generally took a sterner attitude. It must be noted that the United States declined an opportunity to start talks on several occasions when she refused to cooperate with Japanese wishes and regulations. It is most interesting that a country which always "upholds principles" would not call a bluff, if the Japanese were bluffing, to effect a settlement of friction which existed between the two countries.

The specific examination of both countries cases, as put forth in this thesis, asserts the validity of the claims of both countries. The Japanese were fighting a war which claimed a great amount of resources from them, and her armies were supplied by boats many of which had to use the rivers to reach the troops. Therefore, the Japanese considered this a war zone which brought restrictions and complete stoppage of third power merchant vessels. The American commercial interests in China represented its only foothold in the country and this she did not want to lose. Thus both refused to recognize the others main interests and forced an uncompromising attitude on each party.
The economic advantages, for American policy, would have been to keep friendly relations with Japan because Japan was by far the best customer of the United States in all of Asia, but as the Secretary of State so boldly stated, American policy was based on principles. During this period, Congress had many debates about the wisdom of the American policy of keeping naval vessels in China's rivers while a war was in progress, nevertheless these debates did not change or alter administration policy.

It seems fair to conclude that the policies of the two countries did not change over the period 1938-1939. As the facts of this thesis indicate, the United States was negligent many times in failure to respond in a positive manner to Japanese probes for talks and a settlement of the navigation question. Compromise appeared to be a lost word in the American vocabulary, thus the situation was never rectified.
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the basis of its policy in regard to all peoples and their interests; and Japanese commerce and enterprise have continued to enjoy in the United States equality of opportunity.

Your Excellency cannot fail to recognize the existence of a great and growing disparity between the treatment accorded American nationals and their trade and enterprise by Japanese authorities in China and Japan and the treatment accorded Japanese nationals and their trade and enterprise by the Government of the United States in areas within its jurisdiction.

In the light of the situation herein reviewed the Government of the United States asks that the Japanese Government implement its assurances already given with regard to the maintenance of the open door and to non-interference with American rights by taking prompt and effective measures to cause,

(1) The discontinuance of discriminatory exchange control and of other measures imposed in areas in China under Japanese control which operate either directly or indirectly to discriminate against American trade and enterprise;

(2) The discontinuance of any monopoly or of any preference which would deprive American nationals of the right of undertaking any legitimate trade or industry in China or of any arrangement which might purport to establish in favor of Japanese interests any general superiority of rights with regard to commercial or economic development in any region of China; and

(3) The discontinuance of interference by Japanese authorities in China with American property and other rights including such forms of interference as censorship of American mail and telegrams and restrictions upon residence and travel by Americans and upon American trade and shipping.

The Government of the United States believes that in the interest of relations between the United States and Japan an early reply would be helpful.

I avail myself (etc.)

JOSEPH C. GREW
Memorandum by the Ambassador in Japan (Grew)

(Tokyo,) October 26, 1938.

This afternoon I made my courtesy call on Mr. Renzo Sawada, newly appointed Vice Minister for Foreign Affairs, to return his call on me. I told him that I did not wish in this first talk to bother him with individual cases, knowing how extremely busy he must be in getting into harness, especially as Prince Konoye as Minister for Foreign Affairs is able to come to the Gaimusho only once or twice a week. I told Mr. Sawada that we are daily sending in a great number of notes to the Foreign Office with regard to Japan's depredations against American property in China and that all of these notes, which must now amount to several hundred, can be found on file in the Foreign Office. I told Mr. Sawada however, that in my talk with General Ugaki on July 4 last, and in a note which I addressed to the Foreign Office after my first conversation with Prince Konoye as Minister for Foreign Affairs, dated October 6, I had presented a general picture of the troubles experienced by Americans and American interests in China at the hands of Japanese forces and other authorities, and that if he would be good enough to read through the record of my conversation of July 4 and our note of October 6, it would give him the background which I felt was important in enabling him to give proper weight to such representations as I might be called upon to make in future. Mr. Sawada said that he would do so.

The Secretary of State to the Ambassador in Japan (Grew)

(Substance)

WASHINGTON, November 2, 1938—4 p.m.

373. (The substance of this telegram is to be communicated to the commander in chief by the American Consul General in Shanghai.)

The question of freedom of navigation on the lower Yangtze River was mentioned in your open-door note to the Japanese Government of October 6. Believing that the moment has arrived for the American Government to raise the broad, entire question of Yangtze River freedom of navigation
with the Government of Japan, the Department wishes you personally to take up this matter in a vigorous manner with the Foreign Minister at the earliest opportunity. It is suggested that in your discretion you postpone this action for a few days to find out whether or not the French and British Ambassadors in Tokyo are instructed to make separate approaches along similar lines. This suggestion is made in view of the fact that the French and British Governments are being notified through our appropriate diplomatic missions of these instructions to you. Your presentation may be oral or by formal note in your discretion, but if you decide on the former an informal memorandum to serve as a record of your remarks should be left with the Foreign Minister. You should press for a reply of a favorable nature which should include the setting of an early date subsequent to which the Government of Japan will not impede free navigation of the Yangtze from Hankow to its mouth. The American Government will not be satisfied with an indefinite reply.

Your approach should be along the following general lines: Armed forces of Japan having now moved up the river to Hankow there remains no large-scale fighting on or along the banks of the river below Hankow. These forces have had ample time since arriving at Hankow to systematize movements on the river of national ships of Japan. Large numbers of Japanese vessels have gone up river to Hankow. According to information in possession of the American Government, on October 31 there were at Hankow about 600 small craft, 2 auxiliaries, 2 tankers, 2 mine layers, 2 mine sweepers, 3 torpedo boats, 3 gunboats, 1 hospital ship, 12 tugs, 20 supply ships, and 23 transports.

Inasmuch as we did not exercise our right to navigate the river freely during the period of active hostilities, we now regard it as only reasonable that the Government of Japan should from now on stop impeding the exercise of this American right and we can see no reasonable basis for the restriction by the Government of Japan of free navigation of the Yangtze River.

The Yangtze is a very important channel for the movement of vessels, goods, and persons; is Central China's principal communication artery; and it is wide enough to provide for the traffic needs of all concerned.
My initial interview today with the new Minister for Foreign Affairs was on his part of a negative and therefore of an unsatisfactory character. After the amenities as between two old friends I referred to the assurances expressed to me by Mr. Arita's three predecessors in turn to the effect that the foreign policy of the Japanese Government would undergo no change during their respective administrations and that American rights and interests in China would be respected and the open door and equal opportunity supported. I then inquired whether the new Minister would renew those assurances.

Mr. Arita replied that when he was formerly Foreign Minister the attitude of the Japanese people towards the United States was particularly friendly and that it is still friendly today, but that in the meantime the attitude of the United States towards Japan has considerably altered due to things that have occurred in China. He supposed that by reading recent comments in the Japanese press I must have gleaned some comprehension of the present attitude of the Japanese people in that connection. The Minister said that in estimating opinion in his own country he must proceed slowly and "with great prudence."

The Minister then referred to our note of October 6 which he said he understood conveyed the attitude of the American Government towards the situation in China but added that he had not yet had time to read it. I urged him to do so forthwith because without familiarity with the contents of that note he could not appreciate the nature and extent of the difficulties between our two countries.

At this point the Minister referred to the public address of the Prime Minister on November 3 as an indication of Japanese policy. I immediately replied that we had carefully studied that address but that portions of it required interpretation and I asked specifically whether he was in a position to interpret the following excerpt:

"Japan does not reject cooperation with other Powers, neither intends to damage the interests of third Powers. If such nations understand the true intention of Japan and adopt policies suitable for the new conditions, Japan does not hesitate to cooperate with them for the sake of peace in the Orient."

I asked what policies "suitable for the new conditions" the Prime Minister had in mind. Mr. Arita replied that he thought it important that we should have a long talk
concerning all these matters and that he would be better prepared for such a talk after he had been a little longer in office. He repeated the view that he must proceed slowly and that the situation is "very difficult." I asked whether he would see me as soon as he returns from reporting at the national shrine at Ise whether he proceeds tonight. The minister replied that he needed a little more time but hoped that we could have the talk some time next week.

On my stating that these matters are urgent and that they are so regarded by my Government, Mr. Arita counseled patience and added that if we should press for an immediate reply to our note of October 6 he was afraid that the Japanese reply would not be satisfactory. He repeated and emphasized the word "patience."

I thereupon informed the Minister that I must bring specifically and urgently to his attention one phase of the situation dealt with in our note of October 6, namely the question of free navigation on the Yangtze River between Shanghai and Hankow and after vigorous oral representations along the lines of the Department's 373, November 2, 2 (4) p.m., I left with him my note number 1111 of today's date. I told the Minister that my Government would not be satisfied with an indefinite reply and I pressed him for a favorable answer including the naming of an early date for the withdrawal of restrictions on freedom of navigation on the Yangtze River below Hankow. The Minister was non-committal.

The interview thereupon terminated.

JOSEPH C. GREW

The American Ambassador in Japan (Grew) to the Japanese Minister for Foreign Affairs (Arita)

TOKYO, November 7, 1938.

No. 1111

YOUR EXCELLENCY: In the note No. 1076 of October 6, 1938, which I had the honor to address to Your Excellency's distinguished predecessor, mention was made, among other points, of the exclusion from the lower reaches of the Yangtze River of American and other non-Japanese shipping although Japanese merchant vessels are carrying Japanese merchandise between Shanghai and Nanking, to the exclusion of merchandise of other countries. I pointed out to His Excellency Prince Konoye that this treatment of American shipping and commerce, as well as the treatment by Japanese authorities of other American interests in China, not only violates American rights but is in direct contravention of
assurances repeatedly affirmed by the Japanese Government to the American Government that the principle of the open door and equal opportunity in China would be supported by the Japanese Government. In the aforementioned note, request was made on behalf of the Government of the United States that the Japanese Government implement its assurances already given with regard to the maintenance of the open door and to non-interference with American rights by taking prompt measures to cause the discontinuance, among other forms of interference with American interests in China, of the restrictions placed upon American trade and shipping.

Acting under instructions from my Government I now have the honor to point out to Your Excellency that the armed forces of Japan have now advanced up the Yangtze River as far as Hankow and that below Hankow there are no longer major hostilities on the river or along the banks of the river. A large number of Japanese ships in the meantime have proceeded up the river to Hankow. Japanese armed forces, furthermore, following their arrival at Hankow, have had ample time in which to systematize the movement of Japanese vessels on the river.

During the period when active hostilities were taking place on certain reaches of the Yangtze River below Hankow, American shipping refrained from exercising its right to freedom of navigation on the river. That the Japanese Government should no longer place obstacles in the way of the exercise of this American right, my Government considers only reasonable. The Yangtze River as the main artery of transportation in Central China is a highly important channel for the movement of vessels, persons and merchandise and the width of the river is amply sufficient to take care of the traffic needs of all concerned. No reasonable basis to account for the restriction by the Japanese Government of the free use of this river under the circumstances existing at present is perceived by the Government of the United States.

Under the circumstances set forth above I have the honor on behalf of my Government once again to request that the Japanese Government forthwith implement its repeated assurances with regard to American navigation rights on the Yangtze River by promptly discontinuing the restrictions on American trade and shipping thereon between Shanghai and Hankow.

I avail myself (etc.)

JOSEPH C. GREW
The Japanese Minister for Foreign Affairs (Arita) to the American Ambassador in Japan (Grew)

(Translation)

(TOKYO,) November 14, 1938.

No. 101, Asia I

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note no. 1111 dated November 7, 1938, regarding the restoration of navigation and commerce of Your Excellency's country between Shanghai and Hankow. In this note and in Your Excellency's note no. 1076 of October 6, 1938, it was pointed out that notwithstanding the fact that the navigation of American and other third countries' vessels and the shipping of their goods were excluded, Japanese vessels only were engaged in commercial traffic. In this relation I desire to invite Your Excellency's attention to the fact that all Japanese ships which are at the present time allowed to navigate the Yangtze River are engaged in the transportation of military supplies and are vessels in the Government service, the navigation of Japanese vessels engaged solely in the transportation of passengers and cargo being prohibited. Further, among these vessels used for military purposes there are those which must because of military necessity maintain a definite schedule between Shanghai and the upper reaches of the river, and it is impracticable to complete a full cargo on every voyage with military supplies. Since it would be uneconomical in such instances to operate the vessel in a partially empty condition, the practice is followed when such ships have loaded the military supplies and there is still space in the hold, to utilize such available space to ship goods which are not military supplies. However, these instances are exceedingly few and are of an exceptional character. Accordingly, I request Your Excellency to understand that the Imperial Government is not at all deliberately discriminating against vessels of third countries.

Secondly, Your Excellency concludes that since there are no major hostilities on the reaches of the river below Hankow there is no warrantable basis whatsoever for restricting the free use of that river. I regret that I must state that the Imperial Government holds a contrary view. For example, the barrier at Kiang-Yin is now and continues to be not open to an extent beyond that necessary for military purposes, and therefore it is barely adequate for navigation by Japanese gunboats and vessels used for military purposes. Furthermore, on the upper reaches of the river above Hankow the Imperial armed forces are engaged in continuing military activities on a large scale and the necessity for the utilization of the Yangtze river is greater than ever.
Accordingly, that part of the river above Shanghai is even today a vitally important line of communications for the supply of munitions and other supplies, foodstuffs, etc. In this situation navigation on this very important line of communications by foreign vessels which are not subject to the direction of the appropriate authorities of the Imperial armed forces would be a very severe obstacle to military movements, and also from the standpoint of the preservation of Japanese military secrets it is very difficult forthwith to assent to that proposition. Furthermore, the actual conditions even now are that along the banks of the Yangtze river Chinese guerrillas, appearing and disappearing, are not only frequently attacking Japanese gunboats but also, evading the precautionary measures of the Japanese army, are setting afloat large numbers of mines. Although the Imperial armed forces are at the present time exerting every effort to deal with and dispose of these floating mines along with mines set by the Chinese armed forces, a further reasonable length of time is necessary to complete these mine sweeping operations and to lay down necessary channel markers. These mines occasionally float down to a lower reaches of the river and under the present conditions navigation by vessels at large is exceedingly dangerous. The conditions are such that, very recently, one Japanese vessel used for military purposes was sunk. In the event vessels of Your Excellency's country should meet with such a disaster and immediately obstruct the channel, the very necessary line of communications of the Imperial armed forces would be blocked. In view of the various conditions which have been stated above the Imperial Government does not consider that the time has yet been reached at which recognition of freedom of navigation on the Yangtze river can be immediately given.

I earnestly hope that Your Excellency will appreciate the fact that the Imperial Government does not in the least intend to hinder wilfully the navigation and commerce of Your Excellency's country on the Yangtze river, and that it is now engaged in particular efforts in order to bring about at the earliest possible moment a return of normal conditions.

I avail myself (etc.)

HACHIRO ARITA

The Japanese Minister for Foreign Affairs (Arita) to the American Ambassador in Japan (Grew)

(Translation)

(TOKYO,) November 18, 1938.

No. 102, American I EXCELLENCY: I have the honor to inform Your Excellency that I have carefully perused the contents of Your Excellency's
note no. 1076, dated October 6th, addressed to the then Minister for Foreign Affairs Prince Konoye, concerning the rights and interests of the United States in China.

In this note, Your Excellency sets forth, on the basis of information in the possession of the Government of the United States, various instances in which Japanese authorities are subjecting American citizens in China to discriminatory treatment and are violating the rights and interests of the United States.

The views held by the Japanese Government with regard to these instances may be stated as follows:

1. According to the information in the possession of the Imperial Government, the circumstances which led to the adoption of such measures as those at present enforced in Tsingtao concerning export exchange, and the present situation being as set forth below, it is believed that those measures cannot be construed as constituting any discrimination against American citizens.

A short time ago the Federal Reserve Bank of China was established in North China. This bank's notes, with foreign exchange value fixed at one shilling and two pence to one yuan, already have been issued to an amount of more than one hundred million yuan, and are being widely circulated. These bank notes being the legal currency required by the Provisional Government, the maintenance of their value and their smooth circulation is regarded as an indispensable basis for the conduct and development of economic activities in North China. Since the Japanese Government has, therefore, taken a cooperative attitude, all Japanese subjects are using those notes, and accordingly, even in their export trade are exchanging them at the rate of one shilling and two pence. On the other hand, the former legal currency still circulating in these areas has depreciated in exchange value to about eight pence per yuan. Consequently those who are engaged in export trade and are using this currency, are enjoying improper and excessive profits, as compared with those who are using Federal Reserve notes and carrying on legitimate transactions at the legally established rate of exchange. Japanese subjects and others
APPENDIX B

MAP OF THE YANGTZE AND PEARL RIVER BASINS