

International Technical Collaboration with China
since 1931

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Mao Yun An, B.A.



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" We have succeeded, in the past year, in accomplishing the first essential prerequisite of federal world administration; the transfer of relationships between peoples away from a centralized diplomatic and on to a decentralized technical basis. So long as all the relations between peoples are centralized through foreign services, then these peoples can never unite, for the function of most foreign services is to maintain their separate identities and the identities of the nations which they are supposed to represent. Now, instead of working through men whose job is to keep us apart, the members of the United Nations work with each other on a purely technical basis. Production men deal with production men, scientists with scientists, soldiers with soldiers. When this basis of world relations is established, then one of the greatest barriers to effective world government is removed. "

----- Michael Straight-----

February, 1943.

INTRODUCTION

The Republic of China has undertaken a great task of her National Reconstruction for many years. She needs international assistance, especially international technical assistance in promoting her industry, finance, communication, education and public's health. In this connection, foreign experts and engineers are employed in China to place at the disposal of the Chinese administration the result of foreign experience. Chinese students and experts are sent abroad to learn modern techniques. American and European productions, such as heavy machines, mechanical instruments, and medical equipments and supplies, are imported into China. Moreover, foreign loans are extended to the Chinese Government to finance various national administrations.

In return, China provides other nations with her natural resources, manufactured goods, services, facilities or information which these nations need and which she is able to supply. This mutual beneficial international collaboration has already proved its importance not

...only

only in expediting China's national reconstruction but also in promoting positively the friendly relations existing between China and the countries concerned.

This thesis is devoted to make a general review of the various fields of International Collaboration with China since 1931 when her Technical Collaboration with the League of Nations was inaugurated. The League continued to render its assistance to China until 1942 when actual circumstances caused by the present war prevented it from doing so. But similar collaborations with China have been and is still carried on by individual countries, notably Great Britain and the United States of America. These collaborations are even wider in scope and more vivid in action. They have been best manifested in the recent Lend-Lease and mutual aid operations among the United Nations.

The International Technical Collaboration has been found as one of the surest ways that China and all the other United Nations can keep to win this war as well as to promote international relations and stimulate world progress on the basis of equality and mutual help. Its role yet to be played in post-war reconstruction is nevertheless more important.

....When

When peace is regained, it is necessary that all nations shall arrange to help each other more effectively by contributing their respective natural resources, material productions, technical experiences and manpower under a collective plan agreed with by all. China, a country possessing a civilization of over 5,000 years, a territory of 4,289,000 square miles, a population nearly of 450,000,000 people and the richest mineral and agricultural resources in the world will certainly do the best of her part. ^πAs proposed by Dr. Sun Yatsen, founder of the Chinese Republic, the vast resources of China must be developed internationally under a socialistic scheme for the good of the world in general and the Chinese people in particular. It is hoped that as a result of this and similar collaborations to be taken among other nations, international trade competition can be get rid of, imperialistic territorial expansion can be done away with, the class struggle between capital and labour can be avoided and the principle roots of international war will be forever exterminated.

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PART I

THE TECHNICAL COLLABORATION
BETWEEN
THE LEAGUE OF NATIONS
and
CHINA

Chapter I.

THE COLLABORATION BEFORE 1937

The Technical Collaboration between the League of Nations and China may find its origin in a number of incidents playing however a no less important part in its whole course of development. In 1922 Dr. Norman White, Member of League's Health Section, paid a visit to China, and in 1925 followed Dr. Rajchman, the Director of the above Section. Since 1928, similar visits were made by M. Albert Thomas and M. Avenal and other League's important officials bringing themselves in close contact with the National Government. At the request of the Chinese Foreign Minister C. T. Wang, the League sent again Dr. Rajchman in 1930 to confer with the Chinese Government a programme concerning sanitary cooperation. These connections between the Chinese Government and the League of Nations, though very narrow in scope, led both to realize the necessity to make a more concrete measure on the Technical Collaboration in question.*

On April 25, 1931, the Chinese Government sent a

....telegram

* Memorandum by Mr. Hu-ching Yu, Chief of the Section of the League of Nations' Affairs of the Waichiapu (the Ministry of Foreign Affairs of China); in *China*...

telegram to the League's Council, indicating its decision to form a National Economic Council with the object of elaborating plans for national reconstruction and in which the collaboration of the Technical Organisation of the League was requested to assist in the work of this Council.

The National Government at the same time outlined the principle measures which might be taken in order to give effect to such collaboration, namely:-

(1) First, in the first stage of planning an organisation the League might be able to send one as it had already done in the special domain of health work, for such limited period as might be practicable and convenient to the Government in order to help with his advice both as to the plan itself and as to any subsequent methods by which the League could assist.

(2) Secondly, in the execution of particular projects the League might at the request of the Government send or recommend representatives of competence who shall be in contact with the relevant Technical Organisation in Geneva.

(3) Thirdly, in appropriate special cases a League Committee whether a standing committee or one appointed ad hoc might at the request of the Government help to frame or improve some particular scheme.

(4) Fourthly, the League might, in several ways, help the training of China's own officers who will be required

....for

for the more extended work of later years. In the domain of health the League has already been able to arrange for technical education in practical work in other countries, sometimes with the aid of fellowships.

(5) In addition, the League might also help the Government to find advisers to assist the development of the Chinese educational system and facilitate the intercourse between the centers of intellectual activity in China and abroad.

(6) Lastly, China might sometimes desire to initiate League action in some sphere in which international cooperation or the coordination of the policy of a number of countries might be required in order to remove some obstacle to China's development.

In general, the technical organisation of the League would in this way be continuously available for advice to the Government and the National Economic Council in connection with its plan of reconstruction.

At its meeting on May 19, 1931, the Council adopted these proposals of the Chinese Government and at the same time approved the suggestions of the Secretary-General regarding the methods of carrying out this collaboration. These suggestions were as follows:

(1) The officer whose services are requested for such limited period as might be practicable and as might be

....convenient

convenient to the Government should be competent to give information on the working of the League's Technical Organisation and the manner in which they might be utilized by the Chinese Government. For this purpose the Secretary-General considers that one of the directors of the Technical Organisations should be authorized to pay a further visit to China.

(2), (3) and (4). Proposals for collaboration would be transmitted by the Secretary-General to the competent Technical Organisations, for action subject to the approval of the Council, as required by rules of procedure.

(5) Similarly the Secretary-General would refer to the International Committee of Intellectual Cooperation for action by its executive organ, the Institute of Educational Cinematography, questions relating to the educational system and intercourse between intellectual centers in China and abroad.

Preliminary action in this sense has been taken in regard to a letter in this subject received from the Chinese Ministry of Education.

(6) Should the Chinese Government ask for the convocation of a technical conference, the Secretary-General would communicate the request to the Council for decision.

Finally, concerning the expenses of the above cooperation, the Council decided that a fund from 450,000 to

....480,000

480,000 Swiss Francs should be sustained by the League. ~

During the two years of the Council's decision, the Chinese Government had the advantage of the collaboration of a certain number of the experts from the League's Technical Organisation, whose work has been greatly appreciated.

In the Spring of 1933, responding to the convocation of the World Economic Conference at London where a general conviction was steadily growing that the then world economic and financial crisis could not be brought to an end without mutual consultation and cooperation among nations, the Chinese Government, in accordance with the request of the President of the United States of America, sent Dr. T. V. Soong, Vice President of the Executive Yuan, and at the same time Vice Chairman of the National Economic Council, to Washington to expedite certain measures with regard to the latter's economic assistance to China, and subsequently proceeded to London as leader of the Chinese Delegates to the Conference. In the course of several meetings, Dr. Soong had interviews with industrialists and financiers from various countries with whom the problem of foreign technical cooperation with China was mainly discussed.

On behalf of the Chinese Government, Dr. Soong presented in June 1933 a communication to the Council of the League of Nations in regard to the Technical Collaboration in the work of national reconstruction. The first part of this communication

.....gave

~ The Chinese Year Book 1935-36, pp 326-7

gave a brief account of the past activities and the appreciation of the great effort performed by the Secretary-General and the League's Council. Dr. Soong then submitted to the Council the following:-

"The preliminary work of survey having been made, the National Government, in view of the resources at its disposal, has decided as a beginning to carry into practice its national reconstruction work in a few provinces which will serve as models for the rest of the Country.

"It is clear that this work demands continuous effort on the part of all who take part in it as well as constant co-ordination of all the activities involved. The National Government would highly value measures which the Council might take in the present circumstances in order to ensure this continuous collaboration by the League with the National Government in its work of reconstruction, and, in particular, by the nomination for this purpose of a technical officer to be accredited to the National Government and its National Economic Council.

"I should therefore be grateful if the Council could examine the question which I have the honour to place before it on behalf of my Government, in order that its decision may be acted upon with as little delay as possible."

Upon the receipt of this communication, the Council of the League of Nations decided at its meeting of June 30, 1933 to appoint a special committee to examine the action to be

....taken

taken on the above suggestions.

The Committee, composed of delegates from China, Great Britain, Czechoslovakia, France, Germany, Italy, Norway and other countries whom the Council deemed fit to invite, and directed by the League's Council, met in Paris on July 18, 1933. It paid special attention to two points: firstly the function of the technical agent required by the Chinese Government, and secondly the way by which the Committee should undertake to supervise over the proposed collaboration. In regard to the proposition made by the Chinese Government, the Committee passed the following resolution:

"The appointment of the technical agent required by the Chinese Government is of a purely technical and entirely nonpolitical character. In view of this fundamental principle, it is understood that the technical agent shall act as a technical liaison officer with the National Economic Council of China for the purpose of technical cooperation with the competent organs of the League of Nations.

"He shall hold office for one year. His salary and his travelling and subsistence expenses shall be defrayed by the Chinese Government.

"The duties of the technical agent shall be:

(1) To supply information on the working of the technical organisation of the League and on the manner in which these organisations may be utilized for the purpose of cooperation in the reconstruction of China.

(2) To transmit to the Secretary-General of the League of Nations, for submission to the competent organisations, any request for technical cooperation which he may receive from the Chinese Government.

(3) To afford the Chinese Government such assistance as it may desire with a view to securing the cooperation of such experts as that Government might wish to engage for a technical service connected with the work of reconstruction; and

(4) To assist the National Economic Council in coordinating on the spot the activities of the experts of the League's Technical Organisation.

"The technical agent shall forward to the Council frequent statements regarding his work and a detailed report at least once every three months. This report shall also be communicated by the Secretary-General to such technical organisations of the League of Nations as have been called upon to cooperate at the Chinese Government's request.

"The technical agent shall apply to the Secretary-General of the League of Nations with a view to securing the assistance of the technical sections and organisations in any inquiries he may have to carry in the discharge of his duties as defined above.

"The Committee of the Council appoints Dr. Rajchman, Director of the Health Section of the Secretariat, to act as technical delegate with the duties defined above."

....In

In notifying the Council of its decision, the Committee of the Council stated that it would in future remain at the Council's disposal for the purpose of

(1) considering any questions relating to the League's technical cooperation in the reconstruction of China that might be laid before the Council by the Chinese Government;

(2) examining the statements and reports received from the technical agent and discussing all questions relating to the discharge of his duties which the Committee might deem it desirable to consider."

In accordance with the above decision of the Committee of the Council, Dr. Rajchman was then sent to China as the first Technical Agent with the Chinese National Economic Council. He arrived in ^{China} ~~this Country~~ on October 3, 1933, and was at once brought himself into close contact with the Chinese authorities.

On October 4, the Chinese Government installed in office the Standing Committee of the National Economic Council, composed of the President of the Executive Yuan, Mr. Wang Ching-wei; the President of the Legislative Yuan, Dr. Sun Fo; and the Minister of Finance, Dr. T. V. Soong. On the same day the extent of the powers of this Committee was enforced.

Following the resignation of Dr. T. V. Soong as Minister of Finance, the Members of the Standing Committee were increased on December 1933, from three to five by the addition of the new Minister of Finance, Dr. H. H. Kung and the Chairman of the Military Affairs Commission, General Chiang .

Kai-shek.

The Standing Committee proceeded to study the detailed activities to be undertaken and financed during the year 1934, in addition to the work begun in 1931, which had continued and developed without interruption.

On the completion of the preliminary study, a program of collaboration with the League Technical Organisation was discussed with Dr. Rajchman.

In his communication to the Secretary-General on December 30, 1933, Dr. Rajchman suggested that it should be a general principle to select as few technical experts as possible for service in China, and that these should either have had extensive experience in work in many countries, or else should be prepared to remain for a considerable time in China so as to become acquainted with local conditions. He indicated at the same time that the collaborations of the health, transit and economic organisations of the League with the Chinese Government was being prolonged in 1934 and that the two officers who were advising on the reconstruction of the Civil Service were continuing their studies.

The main proposals of the National Economic Council for 1934 were for the improvement in communications, for

....water

water conservancy schemes, and for the comprehensive reconstruction of certain rural areas. 1~

It was felt at that time that the programme of road construction had reached a point where consultation with engineers who had had experience in countries with conditions similar to those of China would be of undoubted value, particularly on the following problems:

- (1) The best type of roads adapted to selected areas;
- (2) The method of operating roads;
- (3) The available local fuels supplies;
- (4) The most suitable types of vehicles and engines.

The Transit and Communications Organisation was therefore requested to make suitable arrangements for expert consultation in China. As regards water conservancy, the services of an experienced hydraulic engineer was requested, particularly with considerable international experience, to advise upon the general procedure of the water conservancy policy.

In April, 1934, Dr. Rajchman returned to Geneva and submitted to the Council a report with several important
suggestions

suggestions with regard to the undergoing collaboration.*

The League's Council was very appreciative of his service in China as a liaison officer, and decided therefore at its meeting in September 1934, to endow the Secretary-General the right to appoint, whenever he deems it necessary, any one of the directors of the Sections under the Secretariat to serve a short term as Technical Agent in China. Upon this resolution, Robert Haas, Director of Communication and Transit Section, was sent to China at the end of 1934. Though he went back within five months, no outstanding success of his work being known, his duty was to prevent any interruption of the League's technical assistance to China.

The foreign experts who were requested to come to China for assistance in the fields of health, finance, communication and education were many and their work was found very satisfactory.* But since their employment was only a matter of temporary character, the Chinese Government thought that it would be more beneficial if its own experts were to be trained to meet the situation. In 1936, this was proposed to the League with the following suggestions:

(1) The Chinese Government might recommend persons now holding Government positions to pay special visits to
and

* The China Quarterly Vol. 2 No.3, 1937
Chinese relations with the League of Nations
pp 505-588

and make investigations in certain countries under the name of technical experts appointed by the League;

(2) During tenure as technical experts, the League should contribute all necessary expenses including their travelling expenses;

(3) Their tenure should be fixed individually at the time of their appointment.

(4) After the completion of their investigations, they should be sent back again to China to resume their original posts.

These suggestions were subsequently approved by the League, and Mr. Hsu Kai together with six other Chinese experts were sent for the above purposes.

Such parallel activities of collaboration as the sending of League's experts to assist in the Chinese National Reconstruction on the one hand and that of Chinese experts to study in foreign countries on the other, continued up to the outbreak of Sino-Japanese Conflict in 1937. Since then another form of international assistance under the auspices of the League's anti-epidemic mission to work in the combatted and rear areas became the most urgent need of this ^{China} country.

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Chapter IITHE COLLABORATION IN THE
BEGINNING OF THE SINO-JAPANESE HOSTILITIES

Viewing the dangers attached to the rapid spread of epidemics as a result of the mass movements of population to which current events had given rise, the Chinese Government instructed Mr. Qou Tai-chi, its Second Delegate to the Eighteenth Ordinary Session of the Assembly of the League of Nations, to present to the Secretary-General on September 21st, 1937 a letter which reads as follows:

"In view of the emergency situation that has now arisen in China, the Chinese Government considers that it will not be practicable to carry out the normal programme of technical collaboration as proposed for 1938. It feels, however, that a great need will be served in the present circumstances if technical assistance is given to the Chinese Government Departments in the prevention and control of epidemics and the general relief of the civilian population and refugees.

"I have the honour therefore to request you to be so good as to convene a meeting of the Committee of the

....Council

Council for Technical Collaboration with China as soon as possible to consider the details of a Memorandum which I will submit in due course."

The full text of the above mentioned Memorandum is as follows:

"1. The Chinese Government finds itself faced with a problem of unparalleled gravity. The destruction of lives and property consequent upon the outbreak of hostilities over very large areas of the country and affecting the principal ports of entry, has resulted in an acute shortage of medical and sanitary supplies of all kinds. The unprecedented intensity and inhumanity of the warfare has caused an enormous number of casualties amongst the general population in the cities attacked from sea, land and air, and amongst tens of thousands of refugees who had to be evacuated and who have to seek safety and shelter. Their situation is aggravated by the grim necessity for measure of national defence having to take priority over every other need, while interference with the normal maritime traffic renders it still more difficult to obtain the indispensable supplies, whether from seas in China less affected by Japanese aggression or from abroad. Air attacks have resulted in the des-

....truction

truction of modern civic institutions built at the price of national effort during the past few years, thus rendering the organization of relief measures increasingly difficult even in main urban areas. The situation in the interior of the country is infinitely worse since the requisite elements of medical and relief organisation must of necessity be improvised. The great movement of population has a trend towards the centre and south-west from the regions of the lower Yantsze Valley and in the direction of the north-west from the southern littoral subject to continuous bombardment.

"2. The outbreak of cholera in the south-west, quickly followed by every rapid rise in cholera incidence in the region of Shanghai, was to be expected in the circumstances. Control measures, in which the League of Nations' Health Expert and the Director of the Health Organization's Eastern Bureau at Singapore have collaborated, have temporarily checked the epidemic in the southwest but the disease has now spread over the entire valley of the Yangtze. The central sanitary authorities have been investigating this spring, with the assistance of League health experts, two centers of plague in the northern region of

....the

the Province of Fukien and in certain areas of the Yangtze Valley. Grave fears are entertained by the Health Administration of the Chinese Government that this winter, in view of the large movements of population and of troops, may bring a recrudescence of the disease in this economic area where unfortunately numerous cases of pulmonary plague have also been observed recently. The technical department of the Government also believe that unless active steps are taken on a very considerable scale, smallpox, which is endemic in the areas of Hongkong and Canton, may aggravate the already alarming conditions.

In the view of the Government's technical advisers, experience has also shown that typhus will break out whenever large masses of population find themselves faced with famine and destitution. At present, this gloomy ^{picture} is further darkened by the innumerable casualties resulting from air attacks, bombardment and machine-gunning of refugees and the civilian population for whom further medical and surgical relief must be provided.

"3. In the view of the Government's advisers, measures of prevention such as the establishment of stations for the disinfection and disinsectisation of the moving
population

population must be provided for on an unprecedented scale, together with a supply of drink water to prevent the outbreak of still further epidemic diseases, as well as temporary shelters, mobile hospitals and mobile feeding centers.

"4. The Chinese Government, despite the difficulties of defence against external aggression, must assume responsibility for dealing with this situation out of obligation to their own people. In so doing, however, they are also protecting their neighbours against risks inherent in the spread of redoubtable epidemics by movements of millions along all the railways, canals, roads and across the country, towards shelter and the south-west frontiers of China.

"5. The League has now in China, collaborating with the competent Government departments, one medical officer and two engineers. The Chinese Government desire to render tribute to their self-sacrificing and gallant efforts; but they wish to point out the urgent necessity of giving them assistance so that their technical collaboration with the various central and provincial authorities concerned may be placed on a basis somewhat commensurate with the needs of the day.

"6. Some six years ago, the League rendered the Chinese Government a very signal service at the time of the floods in the Valley of the Yangtze in somewhat similar

....but

but infinitely less serious circumstances, although the population then affected, according to reports presented by one of the League experts, was no less than 50 millions.

The Chinese Government would therefore propose that, beginning from the third quarter of the current year and for the period of 1938, all the available resources provided for under Technical Collaboration between the League of Nations and China should be concentrated on strengthening a plan of sanitary defence and relief measures carried out under the authorities of the central and provincial administrations in China.

"7. Just as in the aftermath of the great war, one of the first decisions of the League Council was the creation of an Epidemic Commission to deal with a somewhat analogous situation in Eastern Europe, the Chinese Government wish to suggest that a similar organization might be set up without delay in China. The Government would again repeat that all responsibility would rest with themselves; they would welcome additional anti-epidemic experts and medical organisers to extend and strengthen the work which has now been continuing for the past nine years. The number of experienced persons to be sent out would obviously depend on the resources available. In addition, for the various

....measures

measures under the competence of the Public Works Department, it would be imperative that the collaboration of engineers should be made available.

"8. The Chinese Government will be compelled to set up temporary and mobile centres of medical and surgical relief for the population on the move, and their task, as pointed out, is rendered at the same time extraordinarily difficult and extraordinarily urgent. It would therefore suggest that, in any scheme that may be presented by the Secretariat to the China Committee, provision of adequate medical supplies and medical personnel on an organised basis should figure prominently.

Towards the expenditure so to be incurred under the League auspices, the Chinese Government would be prepared to contribute immediately the sum of 160,000 Chinese dollars, and would recall in this connection the precedent of the League Epidemic Commission referred to above.

"9. The Chinese delegation will give every possible assistance to the Secretariat in working out in detail the necessary plans and estimates, but, in concluding, they would like to emphasize the extreme urgency of the measures

....to

to be taken." 1^v

A Committee of the Council, appointed in September 1933 to deal with the question of Technical Collaboration between the League of Nations and China,^{2^v} was invited to study the communication from the Chinese Government.

The Committee could, of course, only note the serious character of the danger in question. It was not called upon to express any opinion as to the technical means of arresting the danger. At the same time, it thought it should lay stress on the fact that the immensity of the task to be carried out and -- even on the most optimistic estimate -- the relatively modest means available were strong arguments in favour of the concentration of any action to be taken in the matter.

On the subject of finance, the committee was of the opinion that the balance of the credits for the current year, together with the credits for the following year under the heading "Technical Collaboration with China", might be made immediately available. These sums were

....obviously

1^v League of Nations Official Journal,
18th Year No.12 December 1937, p. 1302.

2^v League of Nations Official,^{5^{vi}} November 1933,
Part 1, p. 1315.

obviously inadequate, however, and the possibility of making a substantial increase should be considered. Further, the opinion had been expressed that an appeal should be made to those countries which are particularly liable to infection, and might for that reason consider the danger they ran for contributing more directly towards the cost of the proposed assistance.

Following upon a close study of the problem, the Committee presented to the Council at its meeting held on October 1st, 1937 a report which includes the following resolution:

"The Committee of the Council,

"Having considered the letter and memorandum addressed to the Secretary-General by the Chinese delegation, in which, after describing the critical situation existing in China arising from threatened or existing dangerous epidemic disease, the Chinese Government requests that all the available resources for technical collaboration with China be immediately employed in assisting the competent Chinese authorities to deal with the situation;

"Considering the possibility of the spread of epidemic disease not only within Chinese territory but across frontiers and overseas;

...."Considering

"Considering that the competence of the Committee is limited to technical collaboration with the Chinese Government, and particularly to placing at its disposal, as has been done in the past, advisers and technicians whose knowledge and experience are of particular value in coping with health problems;

"Convinced, moreover, that the extent of the problem to be dealt with will necessitate, as the memorandum in question shows, funds far exceeding the present available credits for technical collaboration with China;

"Considering, nevertheless, that it is not technically competent to express an opinion on the merits of any plan of action;

"Recommends the Secretary-General to provide at once all the necessary available funds in order to assist the Chinese authorities in the immediate organization of anti-epidemic measures possibly as part of, but without awaiting the initiation of, any wider scheme that may eventually be decided on;

"Draws the attention of the Council to the gravity of the situation which threatens, if assistance is not

....promptly

promptly forthcoming, to involve adjacent and even distant territories;

"Requests the Council to consider whether it would not be desirable to incite the Assembly, during its present session, considerably to increase the credits that it is customary to vote each year for technical collaboration with China, so as to make available the funds necessary to carry out a scheme to be drawn up as soon as possible by the Health Committee or by a Committee specially appointed for the purpose, on which, if necessary, expert advisers could be co-opted." 1^v

Two points appeared to us to emerge clearly from the resolution: Firstly, the principle of financial assistance by the League; secondly, the preparation of a plan by the Health Committee or a sub-committee, though nothing was said as to the form of organization or the methods of execution. It was understood that once the financial possibilities were known and decided by the Assembly, it would be necessary to consider the form of organisation and the manner of execution.

....The

1^v League of Nations Official Journal,
18th Year No. 12 pp. 938-9.

The report was adopted by the Council at its meeting of the same date for transmission to the Assembly. 1~

At its meeting on October 2nd, the Assembly referred the report in question to the Fourth Committee, which, by a two third majority vote stipulated in Article 16 (c) of the Financial Regulations, transmitted it to the Supervisory Commission "for examination and report as soon as possible". 2~

After a thorough examination carried out at several meetings, the Supervisory Commission came to the Conclusion that the sum of two million Swiss francs would be suitable for the League to grant as its financial assistance to China under these exceptional circumstances. 3~ That sum could be found by making the following appropriations:

	Swiss francs
a. There remains available under the balance of 1937 with regard to the collaboration with China, a sum of.....	50,000.00
b. After taking into account commitments in respect of the coming year, it would be possible to allocate	

1~ League of Nations Official Journal, 18th year No. 12 p.941.

2~and 3~ League of Nations Official Journal, Special Supplement No. 173, Annex 4, Third Report of the Supervisory Commission to the 1937 Assembly, Oct. 5th, pp. 120-121

Swiss francs

cate from the corresponding credit of the 1938 budget a sum of.....	250,000.00
c. In addition, the League could consent to set aside for this purpose the total amount of the Chinese contribution for 1937, as soon as it is paid, namely..	1,369,335.70
d. These measures will, however, have the immediate result of making it necessary for the Treasurer at once to pay to the two principal autonomous organizations, in according with Article 26 of the Financial Regulations, their share of that contribution; it is therefore neces- sary for provision to be made in the budget for the following additional sums:	
Sum due to International Labour Office.....	Swiss francs 315,637.90
Sum due to the Permanent Court of International Justice.....	<u>106,254.40</u>
	421,892.30
e. To complete the sum of 2 millions, the following sum must therefore be entered in the budget.....	330.664.30
	<hr/>
Total.....	2,000,000.00 ^{1~}

In accordance with the above decision, the Supervisory Commission submitted a correspondent report to the Fourth Committee, and it was approved at the Latter's

....meeting

^{1~} The Supervisory Commission also made some explanations with regard to Items b, d, and e, which may be found in its report mentioned in the footnote of the preceding page.

meeting held on October 4,¹ and subsequently approved by the Assembly at its Thirteenth Plenary Meeting held on October 5, 1937.²

The terms of reference of the Sub-Committee, in conformity with the resolution of the Council of October 5th, consisted in drawing up a plan to assist the Chinese Authorities to organize a campaign against epidemics. It believed that the general organization to be established should provide a technical staff of wide experience and of adequate material. It should be of sufficient elasticity in action, so that it ^{could} be separated, should circumstances render it necessary. Finally, the organization should have sufficient mobility so as to be able to move its constituent units rapidly.

Further more, the scheme, as considered by the Sub-Committee, was not based solely on prophylactic action. Provision was desired to be made for measures against existing epidemic foci; the isolation of suspected cases, their observation and facilities for precise diagnosis.

....The

¹ League of Nations Official Journal, Special Supplement No. 173, Annex B. General Report Submitted by the Fourth Committee to the Assembly p.150.

² League of Nations Official Journal, Special Supplement No. 669 p.120

The Sub-Committee proposed therefore in its report that the best method to attain this end consisted in the establishment of mobiled units adequately staffed and provided with the necessary technical equipment and emergency supplies.

The action of these units should be reinforced by a general stock of sanitary and medical material placed under the control of an administrator; each unit should be able to draw on this stock according to its needs and available supplies. This stock should enable the mobile units to be furnished with additional supplies for organising out of local resources the means for the isolation and observation of the sick.

A mobile unit should be based on;

1) Staff. An Epidemic Commissioner, leader of the unit;

A specialist medical officer in epidemiology and bacteriology;

A sanitary officer;

A medical organiser of area units;

An assistant (locally recruited);

A mechanic (locally recruited):

2) Material: A prophylactic unit provided with

....the

the necessary apparatus for bacteriological diagnosis (laboratory), for delousing (mobile showerbaths), for disinfection, for disinsectisation. This unit should be provided with drugs, vaccines, sera and emergency supplies. This equipment should be strengthened from the general stock according to needs.

3. Transport: Twelve motor cars or light lorries.

Having regard to the available funds, the Sub-Committee noted that it was possible to constitute three such units and to assign an area of action to each unit.

Around these units, and in accordance with their recommendations, the Chinese Health Authorities should be able to concentrate, on a considered plan of health organization adapted to the region and to current necessities, their own medical and health organization as well as such units as may be sent from abroad. (Red Cross, etc.)

In this way, a coherent and co-ordinated action might be realised within the limits of the credits voted by the Assembly; developed and adapted in the course of time

....to

to the changing circumstances, under the responsibility of the Chinese Government. This organisation could form a nucleus around which any further assistance from other sources that may be offered to the Chinese authorities could be grouped according to needs and under well defined conditions.

Finally, the Sub-Committee considered it essential to establish in China, an Epidemic Commission consisted of the Head of the Chinese Health Administration, of the Technical Adviser of the League of Nations to that Administration and of three Epidemic Commissioners. This Commission would ensure the necessary co-ordination between the component elements of the Health Mission of the League of Nations in China, as well as between the three Commissioners, the Chinese Administration and the League's Technical Adviser. Besides, the Commission would send periodically technical reports to the Secretary-General in order that the development of the Mission's work in China may be followed.

The total expenditure under the above Anti-Epidemic Plan estimated by the sub-Committee was briefly as follows:

1)

	Swiss francs
1) Staff (including personal insurance and transport expenses).....	224,000
2) Supplies.....	180,000
3) Transport.....	96,000
4) Overhead charges.....	40,000
	<hr/>
	540,000
For three units (540,000 Swiss francs X 3)..	1,620,000
Reserve.....	380,000
	<hr/>
Total.....	2,000,000 ^{1v}

In pursuance of the Assembly's decision of October 5th, 1937, approving the Fourth Committee's Report ^{2v} and of the Council's resolution of the same date, the Supervisory Commission met at Paris on October 19th and 20th to examine the scheme of anti-epidemic action drawn up by the special Sub-Committee of the Health Committee.

The Supervisory Commission examined the proposals submitted by the Sub-Committee, both from the budgetary and administrative points of view, and took the necessary
steps

^{1v} League's Document C.524. M.363, 1937 X.

^{2v} League's Document A. 76 (a). 1937.

steps to ensure that the execution of the scheme should not entail, directly or indirectly, expenditure in excess of the sum of two millions allocated by the Assembly.^{1v}

The entire responsibility for the work, according to the Commission's opinion, should be assumed by the Chinese Government. The League's part would therefore be to place at that Government's disposal, for a period of one year, groups of experts provided with the necessary medical and technical equipment.

The general principle adopted by the Commission includes the following terms:-

a) Personnel - The experts to be sent by the League of Nations to China should not form a distinct international body operating in a particular country. They might be technicians grouped in a given area and placed at the Chinese Government's disposal under the same conditions as the advisers which the League had sent out to assist the Government on former occasions.

The experts might be invited to accept a contract of a stated type, providing among other things for insurance, so that acceptance of such contract might entirely relieve^{ve} the League of any financial responsibility in respect of

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^{1v} The contribution of the Chinese Government towards the 1937 budget was paid at the beginning of November and transferred to a special account.

those concerned.

All arrangements with regard to the appointment of experts, (whenever it might be thought advisable to consult the Governments of individual experts, this would be done before the appointment was made) the drafting of their contracts and the taking-out of insurance policies might be made by the Secretary-General of the League of Nations.

The credits necessary for the payment of the expert's salaries for the year during which the scheme was to remain in force might be earmarked at the time of their appointment; no shortage was therefore to be feared in regard to this part of the budget.

b) Medical and Technical Equipment (travelling laboratories, motor cars, medicines and vaccines, etc.) - On the termination of the scheme, the material and equipment placed at the expert's disposal should become the absolute property of the Chinese Government. It was understood that the handing over to the Chinese authorities of the material provided for in the scheme did not imply direct or indirect responsibility on the part of the League of Nations for the replacement of such material in the

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event of its proving insufficient or being exhausted before the end of the year during which the scheme was in operation.

As regards the purpose and despatch of the material, for which the Secretariat was not equipped, the Commission recommended that it should as far as possible be centralised, and that in any case the work should be placed in the hands of an experienced person, every precaution being taken to ensure that the purchases were made under the best possible conditions.

c) Reserve - The authors of the scheme had very rightly realised that, though the estimates had been prepared with the utmost care, it would be necessary to create a reserve for "unforeseen", the amount of which they fixed at 180,000 francs.

In the Supervisory Commission's view, such a sum would not be excessive. Furthermore, it should be left to the Secretary-General to decide when, and in what circumstances, the reserve might be drawn upon within the limits of the scheme.

On October 23rd, 1937, the Report of the sub-Committee of the Health Committee and that of the Supervisory

....Commission

Commission on the above Anti-Epidemic Plan were communicated to the Chinese Government and the scheme laid down in them was subsequently accepted with the understanding that all travelling expenses inside China and the salaries of the auxiliary personnel were to be a charge on the League budget.^{1v}

The Commissioners sent by the League first arrived in Hongkong where they held a meeting with Dr. J. Heng Liu on behalf of the Chinese Government to discuss matters with regard to the execution of the plan. Three Government units were already in existence, and since the League of Nations units were requested to cooperate with these units, the Commission decided to designate the Units accordingly:^{2v}

1st Unit or Dr. Mooser's Unit (for Northwestern
Provinces)

Prof. Mooser as Commissioner,

Dr. Y. N. Yang, Chinese Delegate.

....2nd Unit

^{1v} Waichiaopu's Document Technical Collaboration.
Letter of Ching ting, Director per interim of the Permanent Office of the Chinese Delegation of the League, to Mr. Sean Lester, Deputy Secretary-General of the League, dated May 6, 1937; and the latter's letter to Dr. Hoo Chi-tsai, dated Dec. 6 of the same year.

^{2v} Minutes of First Meeting of the League of Nations Epidemic Commission, Jan. 11, 1939.

2nd Unit or Dr. Robertson's Unit (for Central
Provinces)

Dr. Robertson as Commissioner,

Dr. W. Chang, Chinese Delegate.

3rd Unit or Dr. Lasnet's Unit (for South-western
Provinces)

General Lasnet as Commissioner,

Dr. T. A. Lee, Chinese Delegate.

These Units began to work from January 1937 and
in December of the same year their tenure expired.

CHAPTER IIITHE COLLABORATION IN 1939 - 1942

With regard to the programme of the Technical Collaboration for the Year of 1939, the Chinese Government, through its Delegation at Geneva, presented to the Secretary-General of the League three letters dated on the 11th, 26th of July and 25th of August, 1938 respectively, the contents of which may be summed up in three parts:-

A. The first part of the programme concerns the continuation of the normal form of Technical Collaboration through the appointment by the League of experts to advise the Government in China on technical matters. In this connection, the requests are as follows:

- 1) "There being still two League engineer experts in China, namely, M.F.J. Bourdrez and M.H.C. Maux, who have been assisted the work of the Ministry of Economic Affairs

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and Ministry of Communications, the Chinese Government hopes that the League of Nations will not only continue to afford to China the service of these two experts, but will also send to China an additional hydraulic engineer expert or a mechanical engineer, in order to increase its useful assistance to the Chinese authorities, in this domain.

2) " Mr. W.K.H. Campbell, who has already been in China as League expert on cooperation, and whose contract, owing to present conditions in China, has been terminated by mutual consent, before he has completed his work, shall be re-appointed;"

3) "A qualified medical officer shall be appointed as permanent adviser to the Chinese Health Administration, in order to replace the former adviser, who returned to Europe last March. The Chinese Government hopes that Dr. Borcic will be appointed to this post. If Dr. Borcic is unable to return to China, the League is invited to recommend another qualified expert, and communicate his

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name to the Weishengshu (National Health Administration), for its approval before the appointment is made.

B. The second part of the programme is in the domain of Anti Epidemic work in China. "In view of the fact that the provincial Governments of Hunan, Kiangsi, Kwangtung, Fukien, Kweichow, etc. have recently appropriated additional funds to improve the sanitary and anti-epidemic work in these provinces, the Chinese Government hopes that the assistance of the League of Nations rendered to China in this domain will be continued for another year (1939) with a similar budget of 2,000,000 Swiss francs and that the future anti-epidemic work will not be confined to certain regions only, but will be extended to elsewhere when necessary."

C. The third part is a further request in addition to the above programme to the effect that the League should undertake the work of planning the necessary conservancy measures to be taken in order to deal with the situation arising out of the floods of the Yellow River and supervise the execution of these plans, engineering experts being appointed for this purpose.

The above suggestions by the Chinese Government were submitted to the Council and then referred by the latter

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to the Council Committee for consideration. In its report to the Council on September 17th, 1938, the Council Committee made the following decisions:

"It should ask the Council to recommend to the Assembly that the necessary credits be provided, over and above the normal credit of 450,000 francs which has, for several years, been voted by the Assembly for the Technical Collaboration with China, so that:

a. The work of the Anti-Epidemic Commission could be continued for another year;

b. The requests of the Chinese Government in connection with the normal technical collaboration would be met as far as possible, bearing in mind the relative importance of the two forms of collaboration."

With regard to the request concerning Yellow River Floods, the Committee's decision was that it was not possible to make any recommendations pending the receipt of additional information from the Chinese Government.¹

The decisions of the report were adopted by the Council and subsequently by the League Assembly.

The Assembly included in the 1939 budget a credit

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¹ League of Nations Official Journal,
19th Year No. II, p.863,
Third Meeting of the Council

of 1,500,000 Swiss francs for the continuation of the Epidemic Commission's work and 250,000 Swiss francs for ordinary course of Collaboration.

The Assembly also decided, in conformity with last year's precedent, to refer to a Special Committee the study of the measures to be taken to ensure the continuation of the anti-epidemic work in China. This Special Committee would submit a report to the Supervisory Commission, which is competent to take all necessary final decisions.^{1v}

This Special Committee, or Sub-Committee, with Prof. J. Parisot as Chairman, met on October 14th and 15th, 1938. Having considered that the fundamental principles of action laid down in 1937 should be maintained, the Sub-Committee made the following important projects:

(1) The attributes of the Epidemic Commission will include the following points:

- a. Establishment from the technical point of view of the plan of anti-epidemic work in which the League of Nations participates.
- b. All decisions concerning the technical activities and the place of work of the personnel sent by the

....League

^{1v} The Third Report of the Supervisory Commission, League's Document A. 5. (b). 1938. X., Chapter C. (Supplementary Credits) Section I. Technical Collaboration between the League of Nations and China.

League of Nations, the personnel comprising,

- i. Three Commissioners to hold higher rank than the rest of the personnel.
- ii. Five Experts (bacteriologists, parasitologists, etc.)

c. The decisions of the Epidemic Commission shall be valid if at least three members are present at the meeting.

(2) The Epidemic Commission will decide in each individual case the use to which the sanitary material in service shall be put. The sanitary material now in stock or which may subsequently be purchased by the League of Nations will be used in China for the anti-epidemic work, in conformity with the recommendations of the Epidemic Commission. It will be for this Commission to make proposals to the Secretary-General regarding the purchase of material and report to him on the use to which this material is put.

(3) On the advice given by the Commission grants-in-aid for anti-epidemic work may be granted to various institutions carrying out a co-ordinated plan of sanitary measures. These subsidies will be a charge on the appropriation included for this purpose in the estimates set out below. It will be necessary for the Commission to present reports to the Secretary-

....general

General on the allocation proposed and on the utilisation of this credit.

(4) By way of general indication the credit inserted by the Assembly in 1939 budget could be distributed as follows:

a.	Personnel and working credits.....	400,000 francs
b.	Purchase of medical equipment and grants-in-aid.....	750,000 francs
c.	Administrative expenses.....	100,000 francs
d.	Reserve.....	250,000 francs
		1,500,000 francs

The above report was then examined by the Supervisory Commission who met in Paris on November 14th and 15th, 1938. It accepted the conclusions of the Special Sub-Committee, except as regards the allocation of certain credits and, in particular, the proposal that grants-in-aid for anti-epidemic work might, "on the advice of the Commission", be allowed to various institutions carrying out a co-ordinated plan of sanitary measures. While opposing the grants of cash subsidies, which would be contrary to the financial regulations of the League, the Commission did not intend to exclude all assistance to such institutions; but it took the view that help given by the League of Nations in the form of loans of equipment, or grants of medical supplies and vaccines, would

be the surest means of achieving the object aimed at by the Special Sub-Committee. The Commission since provided for a credit of 190,000 francs in the amended budget to cover any urgent purchases which it might be found necessary to make on the spot.

The amended budget reported by the Supervisory Commission is briefly as follows:

	Swiss francs
a. Staff and travelling expenses.....	400,000
b. Purchase of Medical and Transport Equipment.....	750,000
c. Administrative and Transport Expenses.....	175,000
d. Reserve.....	175,000
	<hr/>
	1,500,000
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In approving the budget, the Commission also made the following recommendations.

- (1) "The Secretary-General will retain the power to effect transfers within the framework of the said budget, particularly between the credits for staff expenses and those for the purchase of equipment."

....(2)

- (2) "As regards the reserve, it shall be left to the Secretary-General to decide, as in the past, when, and in what circumstances, the reserve may be drawn upon within the limits of the scheme."
- (3) "As in the year 1938, the Commission expects to be informed periodically of the financial position and, in particular, of transfers and withdrawals from the reserve."
- (4) "In accordance with the Assembly's Decision, it is understood that the entry into force of the scheme is subject to the payment in full of China's contribution for 1938."

Furthermore, being anxious to establish and maintain complete and effective control, the Supervisory Commission was of the opinion that the Secretary-General should appoint a Head of Mission with precise instructions, in virtue of which he would be responsible to the Secretary-General both administratively and financially, for the use made of all funds entrusted to him by the Secretary-general, and, in particular, for the distribution of the supplies, etc. The representative in question would, in principle, be one of the three Anti-Epidemic Commissioners sent by the League.^{1v}

^{1v} Waichiaopu's Document, Technical Collaboration Vol.5. Annex of the Letter from Sino-Delegate Accredited to the League, "Ban" No. 133 Nov. 25, 1938.

Two problems arose since the Supervisory Commission's decision: firstly that of the construction and function of the Anti-Epidemic Commission, and Secondly that of the Chinese contribution to the League for the Year of 1938 and the amount to be left in China for anti-epidemic work.

A. With regard to the construction and function of the Anti-Epidemic Commission, the titles "League Representative", "Head of Mission", and "Chief Technical Expert" had caused considerable confusion on the part of the Chinese Government. According to the explanations by the Sub-Committee of the Health Section as well as the Secretary-General of the League,¹ the construction and function of the Anti-Epidemic Commission were to be contemplated as follows:

- a. The Epidemic Commission should be composed of five persons:
 - i. The Chief of Weishenshu.
 - ii. Permanent Technical Adviser (or Chief Technical Expert, or Conseiller),
 - iii. Three Commissioners.
- b. One of the three Commissioners should be appointed as Head of Mission who should be responsible to the Secretary-General both administratively and financially for the use of all funds entrusted to him by the Secretary-General. It was further stipulated that in

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¹ Waichiaopu's Document Technical Collaboration
Vol. 5. Secretary-general Avenol's Letters
on Dec. 30, 1938 & Jan. 3, 1939.

his collaboration with the Chinese Government, the Head of Mission would not take any initiative without the approval of the Chinese Government, nor could the Chinese Government dispose any fund provided by the League without his consent.

The Ministry of Economic Affairs, which is in charge of the Technical Collaboration in question since the dissolution of the National Economic Council in 1938,¹ suggested that League's Representative should serve as liaison officer and should have general direction over all collaboration activities including Anti-Epidemic Mission. It also requested the Secretary-General that Dr. M.D. McKenzie should be appointed as this representative concurrently as Head of Mission and one of the Commissioners.²

In order to expedite the matter and to avoid possible misunderstandings, the Supervisory Commission which met on January 30, 1939, then outlined the following principles:

1) League Anti-Epidemic Mission should include two Chief Experts instead of Commissioners placed at the disposal of the Chinese Government in Consultative capacity

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¹ Order of the Executive Yuan "Hang", No.2560
June 10, 1938.

² Waichiaopu's Document Technical Collaboration Vol. 5.
Telegram from the Waichiaopu to the Sino-Delegate at
Geneva No.769, Jan. 30, 1939.

and superior to other League experts.

2) As members of Anti-Epidemic Commission, they might propose from technical point of view the plan to be followed with the help of League funds and all decisions concerning technical activities and place of work of its personnel.

3) Chinese executive personnel should be placed at their disposal.

4) Financial programme should be transmitted to Secretary-general of the League of Nations for approval or agreement.

5) Representative of Secretary-General should be appointed by the Chinese Government. He would be member of the Epidemic Commission and should be responsible to the Secretary-general both administratively and financially for use made of all funds entrusted to him.^{1v}

These proposals were accepted by the Chinese Government^{2v} and subsequently McKenzie was appointed League Representative, and Dorolle and Robertson, Chief Experts.

B. With regard to the payment of the League's budget for Anti-epidemic work in China, the Chinese Delegates took

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1v Telegram from the Sino-Delegate at Geneva to the Waichiaopu No. 430, Jan. 31, and No. 432 Feb. 6, 1939.

2v Telegram from the Waichiaopu to the Sino-Delegate at Geneva No. 798, Feb. 3, 1939.

up with the Secretary-General to fix a certain amount to be retained in China for local expenditure. As it was understood that the application of the plan would be subject to the full payment of China's contribution to the League for 1938 which amounted to 1,323,523 Swiss francs, a large part of the sum available for Technical Collaboration in China for 1939 which was about 1,750,000 Swiss francs (1,500,000 for anti-epidemic work and 250,000 for other forms of Technical Collaboration) would therefore be paid by the Chinese Government. At first the Chinese Government desired that 700,000 Swiss francs should be retained in China to be paid by legal currency. But it was not accepted by the Secretary-General of the League, replying that only 15 to 20 per cent of anti-epidemic fund could be retained. The Chinese Government tried several times to negotiate with the Secretary-General,¹ until it was finally agreed that 500,000 Swiss francs should remain in China and the balance 500,000 Swiss francs should be remitted immediately to the League for putting this scheme into operation.²

....Dr.

¹ Waichiaopu's Document, Technical Collaboration Vol.5. Telegrams from the Waichiaopu to its Delegation at Geneva, on October 13, & 19, and Dec. 10, 1938.

² The Letter Telegram (Dai Dien) from the Ministry of Finance to the Waichiaopu, "Yu Kuo" No. 8275, March 22, 1939.

Dr. Robertson, Dr. Dorolle and Dr. Mackenzie came to China and together with the Chief of Weishengshu, Dr. F.C. Yen, met in Chungking from March 26 to 28, 1939 whereby the plan for 1939 was considered in detail.³ The work of the Anti-Epidemic Commission was continued for a year.

Since the war in Europe broke out, the League's activities were greatly curtailed. Early in 1931 the successful collaboration with China was wound up, large quantities of medical supplies and transport being handed over to the Chinese.⁴

³ Waichiaopu's Document, Technical Collaboration Vol. 6. The Minutes of the Meeting of the Anti-Epidemic Commission.

⁴ Encyclopaedia Britannica Book 1942, p.393.

PART II

THE TECHNICAL COLLABORATION
BETWEEN
CHINA AND
FOREIGN INDIVIDUAL COUNTRIES

CHAPTER IVTHE COLLABORATION BETWEEN CHINA AND THE UNITED
KINGDOM TOGETHER WITH OTHER EUROPEAN COUNTRIES

The International Technical Collaboration with China, beside that under the auspices of the League of Nations, is also undertaken by several individual countries. Since the Japanese invasion of Manchuria, the policy of the United Kingdom toward the Far East has been undergoing a great change. She realizes the necessity of maintaining China's integrity as a nation, and extends to her a hand of sympathy and cooperation. The British assistance in China's monetary reform and in strengthening her war-time finance is well known. Special attention shall also be paid to the British Boxer Indemnity Fund activities in China. The following paragraphs are expected to present from the technical point of view a general review of Sino-British collaboration as well as that between China and other European countries.

THE MONETARY REFORM

The development of a sound and uniform currency system was long the objective of China's monetary policy. (In 1929 the Kemmerer Commission of Financial Experts candidly reported that "China has unquestionably the worst currency to be found in any important country of the world".) The abolition in 1933 of the tael as a standard of value established the standard dollar system throughout the greater part of China. But there still remained to be solved the highly difficult problem of the silver standard.

Unquestionably, the most important foundation of China's financial front is the adoption of a managed currency by the Currency Decree of November 1935. The reform provided for the adoption of an exchange standard, which might be called "Credit Standard". Exchange was stabilized at about the level then existing, to be maintained by means of exchange operations of Government banks. Silver was nationalised and a fiduciary currency substituted, making notes of the Government banks full legal tender. Bank note issued was unified and currency reserves central-
ized

ized under the control of a Currency Reserve Board. The Central Bank of China was to be reorganized as the Central Reserve Bank, and the commercial banking system was to be strengthened. Meanwhile, a decimal system of subsidiary coins was introduced, supplanting the old heterogenous coins.¹

The helpful action of both the American and British Governments in facilitating this monetary reform should be recalled with appreciation.

On November 4, the very day the financial Reform became effective, the British Government issued an order-in-council prohibiting British subjects from making payment in silver of any debt or other obligations, and making the offender liable to imprisonment with or without hard labor for a period not exceeding three months, or to a fine not exceeding £30, or both.² The action did much to help a situation that might have been greatly complicated by the extraterritorial rights enjoyed by many British residents and institutions. (The existence of the extraterritorial

¹ The New Monetary Policy of China, Published by the Currency Reserve Board in January, 1936.

² Quoted from Irving Ariedman's British Relations with China. p.67.

torial rights and special privileges and the special position enjoyed by foreign banks had been generally regarded as a great obstacle to the introduction of any form of monetary control.) The British banks agreed to transfer their silver stocks to the custody of the new currency Reserve Board. Particularly helpful were the purchases by the American Treasury of substantial amounts of Chinese silver. These and the subsequent currency stabilization credits extended to China by both the United States of America and Great Britain have been great aid to China in carrying out the scheme and in maintaining the exchange value of her currency both before and during the hostilities.¹

In this connection a notice may also be drawn to the Leith-Ross Mission sent by the British Government to China. The dispatch of Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government, to the Far East was announced on June, 1935. He was to visit China "in order that his expert advice may be available to His Majesty's Government for the purpose of discussing with the Chinese Government and with the other Governments concerned the problems to which the present situation gives rise."²

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- ¹ The Fifth Year of China's Financial Front, the China Quarterly Vol. 6 No.2. p.193.
² British Foreign Office announcement. London Times, June 10, 1935.

The available evidence indicates that the currency scheme was drawn up before the arrival of Sir Frederick Leith-Ross but Mr. Leonard T.K. Wu's statement in the Far Eastern Survey, that it is practically certain that Leith-Ross acted as the tie between the Sterling bloc and China on the one hand, and between official London, Tokyo and Nanking on the other, was typical of the common opinion.^{1v}

In a detailed statement issued by Leith-Ross on June 23, 1936 preparatory to his departure, he outlined as follows:

"The first question to which my attention was directed was naturally the position of the currency.....I did not bring any cut and dried scheme out with me to put over the Chinese Government. There were several possible alternatives, and the decision between them, depending as it did largely on Chinese psychology, could only be taken by the Chinese Government. I was examining the situation with a view to the preparation of a detailed programme with adequate safeguards and, if possible, with international support. But before any such scheme could be devised, the
.....exchange

^{1v} China's Monetary Dilemma, Far Eastern Survey, December 4, 1935.

exchange market became dangerously weak and the Chinese Government decided to adopt an inconvertible managed currency on the basis of their resources. *

"I had no responsibility for this bold step, but I have of course closely followed the situation and I have no hesitation in saying that the action taken has been fully justified by the success which it has achieved.

"Confidence in currency is growing. But much has still to be done before it can be solidly assured as a basis for long-term trading and investment plans."

Sir Frederick concluded by speaking of the great potentialities for trade in China and by reaffirming the British desire for international co-operation in the task of developing China.^{1v} "There is room for all to assist her in this task".

^{1v} London Times, June 23, 1936.

THE CURRENCY STABILIZATION FUND

In order to strengthen this new monetary scheme, the British Government and the Chinese Government took further steps by concluding successfully an agreement on the creation of a Currency Stabilization Fund. It was announced on March 8, 1939 by Sir John Simon in the House of Commons.^{1v}

Under this scheme the stabilization fund was to total £10,000,000. The Hongkong and Shanghai Banking Corporation subscribed £3,000,000 and the Chartered Bank of India, Australia and China £2,000,000. The subscriptions of the two British banks were guaranteed by the British Treasury against any possible loss. The remainder was subscribed by two Chinese banks, the Bank of China and the Bank of Communications.

The two British banks receive interest at the rate of $2 \frac{3}{4}$ % each semester and the Chinese banks will undertake to pay interest in so far as it will not be met from earnings of any investments held for the sterling account fund in London. The British Treasury also guarantee the payment of interest, but if, on winding up, the British banks should receive in sterling, apart from interest, more
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^{1v} Parliamentary Debates, Houses of Commons, March 8, 1939.

than their original subscriptions, they will pay the excess to the British Treasury. The arrangements remained in force for one year and has been renewed for further semester periods.

The managements of the fund is vested in a Committee of five: two members being appointed jointly by the two Chinese banks, one each by the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China and one British expert by the Chinese Government in agreement with the British Treasury and with the approval of the two British banks. The duty of the Committee is to determine the day-to-day policy best suited to achieve the purpose of checking undue fluctuations in sterling value and the Chinese dollar.

This economic action found widespread favor in Britain and China. The Times on March 9, 1939, said that it would be most welcomed in the City, especially in quarters interested in Chinese Trade. The Chinese naturally applauded British aid for their currency. They saw in it not only evidence of British support for Nationalist China but also an important method of maintaining China's foreign and domestic trade, which was an important factor in main-
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taining the stability of China's currency.

Further British credits in this connection were given to the Chinese on April 26, 1941 when an agreement covering another stabilization fund of £5,000,000 was signed in Washington by British and Chinese representatives. In the same month, \$50,000,000 as a stabilisation fund to support the Chinese currency was also granted by the United States Government.^{1*} The United States and the United Kingdom thus aligned themselves firmly in furnishing financial aid to China.

^{1*} Contemporary China, Reference Digest No.1
May 25, 1941.

THE EXPORT CREDITS

Besides the currency stabilisation fund, another form of British help to China is the granting of export credits to her. In December 1933, the British Export Credits Guarantee Department provided a credit of £450,000 to the National Government of China for the purchase of British motor trucks and road-making machinery.^{1~} This move assisted in building the Yunnan-Burma highway, compensated interests in Burma for losses in Hongkong, and assured an avenue of approach for trade and investment in Free China.

The expected increase in trade necessitated increased facilities for handling Sino-British economic and financial relations. These were established in June 1939 with the creation in London of the Chinese Government Trading Commission. Several well-known Chinese and British were connected with the concern. The Chairman was Dr. Quo Tai-chi, the then Chinese Ambassador, and the Vice-Chairman

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^{1~} New York Times, December 18, 1939.

was Mr. D.G.M. Bernard, a director of the Bank of England and chairman of the British and Chinese Corporation. The commission acted as a sort of clearing house for Chinese purchases in Britain.

British interest extended further to the consideration of assistance to the Chungking Government in building a railway from Kung Ming, Yunan, to Burma. The British and Chinese Corporation discussed with the Chinese Government early in 1939 the possibility of financing the project through a loan of £10,000,000. Although work was begun on preparation of a road-bed in February, 1939, no announcement of a loan contract has been made public. Agreements in April 1939 and June 1941, by which the United Kingdom and China each ceded to the other small strips of land along the Yunnan-Burma border, appeared to be designed to facilitate the building of the railway. The Chinese Government also offered its assistance by providing engineers as well as road materials for building a section of this railway in Burmese territory. Owing to the fall of Burma in the summer of 1942, the project

....was

was consequently suspended.¹

But this did not mean that the Sino-British collaboration in connection with the export credits is in the least hampered. On June 5, 1941, the British and Chinese representatives signed in Washington another agreement in which £5,000,000 was further granted for the purchase of materials within the sterling area.²

¹ Records of the Waichiaopu 1942.

² June 6, New York Times. This agreement is now well under operation.

BRITISH INDEMNITY FUND ACTIVITIES

The remission of the British portion of the Boxer Indemnity dates back to December, 1922 when the British Government stated that all future payments of the Boxer Indemnity to Great Britain will be returned to China to finance enterprises beneficial to both nations. The subject, however, was not raised again until 1925 when the British Parliament passed a bill providing for the remission to China of the British share of the Boxer Indemnity and the establishment of a committee of 11, with three Chinese members, to study means for the disposal of the money. The committee suggested, among other things, the establishment of a board of trustees for the administration of funds.

Diplomatic procedures were completed in 1930 when notes were exchanged between Dr. C.T. Wang, then Chinese Foreign Minister, and Sir Miles Lampson, then British Minister to China.¹ Besides the establishment
of

¹ Documents of the Waichiaopu, 1930.

of the board, the notes provided for a purchasing commission in London to make use of the funds for the purchase of materials needed in the reconstruction program of China. It was decided that the money be used as loans to finance the construction of railways, conservancy works, power plants, and industries and that the interest be used to subsidize educational and cultural activities.

The Board of Trustee was duly organized in April, 1931, and the Purchasing Commission one month later. The former organization has 15 members, ten Chinese and five British, appointed by the National Government placed directly under the Executive Yuan, while the latter has six members, with the Chinese diplomatic representative as chairman, and a representative from the Chinese Ministry of Communications and four British subjects.

The total amount of money to be remitted by the British Government is £11,180,000. The Chinese Government decided that two-thirds of the total amount be used to finance construction of railways. Of the remaining one-third, 40 per cent should be appropriated to finance activities of the Hwai River Commission, 20 per cent for

.....Kwang-tung

Kwang-tung water conservancy works, basic industries, and power plants. These loans are granted at an annual interest rate of 5 per cent. Interest derived from loans are to be utilized to finance five groups of educational and cultural activities. Twenty-five per cent of interest receipts are allotted to the construction of a National Central Library, a National Central Museum, and the preservation of antiques and relics of historical and cultural importance. Twenty-five per cent are allotted to subsidizing higher education and research institutions, with special emphasis on agriculture, industries, medicine, and natural sciences. Fifteen per cent are set aside for scholarships for Chinese students to pursue advanced studies in England. Twenty-four per cent are appropriated for the establishment of secondary and primary schools, vocational schools of agriculture and industry, obstetric schools and the development of rural education. The remaining one per cent is set aside as prizes for worthy publications on different subjects and for secondary, primary, and vocational school textbooks.^{1v}

Thirteen railways as well as the Nanking train-ferry service have been constructed or improved with loans

....from

^{1v} Statement made by Dr. Chu Chia-hua, Chairman of the Board of Trustees.

from the Board. They include the Nanking-Shanghai, Shanghai-Hangchow-Ningpo, Tientsin-Pukow, Kiaotsi, Lunghai, Peiping-Liaoning, Peiping-Hankow, Nanking-Kiangsi, Chekiang-Kiangsi, Canton-Hankow, Hunan-Kwangsi, Suifu-Kunming, and Yunnan-Burma railways. The most important one is the Canton-Hankow Railways, whose 240 mile section between Chuchow and Shaokwan was constructed and the entire line improved with loans from the Board.

The most important conservancy project undertaken was the ship locks, dikes and dredging along the Hwai River. The repair of dikes along the Yellow River and the Sikiang in Kwangtung was also financed by loans from the Board.

Plans were made before the war for investments in an ammonia sulphate factory, a steel plant, a machine tool works and a paper mill. Unfortunately, all these projects had to be given up upon the outbreak of hostilities. Subsequently, the board failed to realize its aim in the development of basic industries in the interior.

Large sums, however, were invested in the power industry. The Nanking Power Plant and the Tsishuyen Power Plant on the Nanking-Shanghai railway were greatly improved and expanded in this connection but both plants have since fallen into Japanese hands. The Board has granted loans

....for

for the establishment of the Central Electrical Appliance Factory and the Kunhu Power Plant to develop power industry in the Southwest.

Four coastal liners were built in England with loans granted to China Merchants Steam Navigation Company. Loans from the Board also enabled the construction of broadcasting and wireless stations, long distance telephone and wireless telephone networks in the Southwest and Northwest.

The board began its work in the educational and cultural field in the fourth year of its existence, when the first interest receipts began to flow in from loans granted up to that date. Up to 1941, a total of \$18,000,000 had been appropriated in subsidizing universities, colleges, secondary and primary schools and numerous other educational institutions.^{1v}

The granting of scholarships for advanced studies in England by open competitive examination began in 1933. Since then, seven examinations have been held and 148 scholars chosen, pursuing higher studies mainly in natural sciences, agriculture, engineering, and medicine. More than 100 of them have since come back to teach in Chinese universities and colleges.

Now,

^{1v} The above facts are quoted from China At War, Vol. No. 3, Sept. 1941. pp.44-48.

Now, on account of the war, the Board, instead of sending its scholarship students to British Universities, have been despatching them to Canada. In 1940 the Board sent 24 students to Canada to pursue post-graduate studies in the University of Toronto and McGill University in Montreal. The subjects of their studies are electro-chemistry, applied mathematics, aeronautical engineering, pharmacology, veterinary science, international and private law, administrative law and education. Up to 1942 most of the students completed their work with great credit. The theses they submitted to their universities were found to possess an exceptionally high standard.^{1v}

As the war goes on, difficulties encountered in the collection of interest curtailed the educational and cultural program. However, the Board has undertaken a number of emergency measures to preserve historical treasures and to give assistance to institutions and scholars.

In the field of preserving historical treasures, the Board financed the transportation of 13,000 cases of collections of the Palace Museum in Peiping. The last shipment left Nanking barely eight days before the capital fell.

....It

^{1v} Documents of the Chinese Legation, Ottawa
1942-43.

It financed the printing, by photographic process, of Han Dynasty (206 B.C.-221 A.D.) wooden "books" unearthed near the Sogo-Nor and Gashun-Nor in the desert in western Ningsia. The historical and cultural value of these hand-written wooden strips, bound together with strings, far exceeds those of the Tunghuang manuscripts. Besides, the Board is cooperating with the National Central Library in buying rare antique books from war areas.

The Board was among the first to give relief to teachers and students affected by the war. More than 30 chairs have been established ^{with its} funds to accommodate refugee professors from universities in Peiping and Tientsin and to help the institutions in interior provinces. It also supports 100 research fellows in national and social science, and 70 newly graduated research assistants to enable them to continue their studies. This support will be continued after the war.

At present two research institutes have been established under the Indemnity fund. One is for sericulture and one for geography. The latter has departments for land surveying and oceanography, both of them eventually to be made into independent institutes. The board also sent out an investigation party to northwestern Szechwan and

....Sikang

Sikang in 1939 to study the geography, geological formation, natural resources, production, and ethnology of this area. Its report forms part of the information upon which plans for the development of the two provinces are based.¹

¹ Abstracts from China At War, Vo. VII. No. 3, September, 1941.

LOANS AND CREDITS TO CHINA FROM OTHER COUNTRIES

In enumerating the international aids to China during her war of resistance against Japan, attention shall also be directed to the aid given by Soviet Russia. The Soviet Union entered into a treaty of non-aggression with China on August 21, 1937, within a few weeks of the beginning of the war. Article 1 of the treaty, which condemns recourse to war for the solution of international controversies, may be viewed as the Soviet justification for assistance to China while maintaining a position of neutrality.

The commercial accord signed by Sun Fo and A.I. Mikoyan in Moscow on June 16, 1939, provided for the exchange of Chinese raw materials for military supplies.¹ A second agreement was signed in July 1940.² Preceding and paralleling these broader conventions were four barter agreements, the first in October 1938 (250,000,000 rubles or approximately U.S. \$50,000,000), the second in February

....1939

1^v Chinese Year Book, 1940-41, p.682

2^v New York Times July 27, 1940.

1939 (U.S. \$50,000,000), ~~the third in August 1939~~
~~(U.S. \$50,000,000)~~, the third in August 1939 (U.S. \$150,000,000),
 and the fourth in December 1940 (U.S. \$50,000,000), a total
 of U.S. \$300,000,000.¹ Tungsten, antimony, tea and wool
 were the principal Chinese products desired by the U.S.S.R.
 In return China received planes, trucks, tanks, guns and
 bombs, transported along the Turkestan-Shensi and Vladivostok-Urga-Ninghsia land routes or by sea via Hanoi,
 Rangoon and Hongkong before these places were fallen into
 Japanese hands.²

Before the second European War broke out, China had also concluded a few agreements with France, Belgium, and Czechoslovakia. They are as follows:

(1) 400,000,000 francs. September 1937. Advanced by France. For the purpose of monetary protection as between French and Chinese currencies.

(2) 150,000,000 francs. August 1938. Advanced by France. For the building of the Annam-Chennankwan Railway (between French Indo-China and Kwangsi).

(3)

¹ Contemporary China, May 25, 1941, p.5.

² Documentary records of the Waichiaopu, 1942.

(3) 480,000,000 francs. December 1938. Extended by France. For the building of the Hsufu-Kunming Railway (between Szechuan and Yunnan).

(4) 10,000,000 pounds. 1937. Extended by Czechoslovakia. For general supplies.

(5) 20,000,000 pounds. March 1939. Purchase credit extended by Belgium. 1^v

The exact status of any of these loans is not known. The European War has undoubtedly affected these loans; under the Nazis' occupation, France, Belgium and Czechoslovakia are not in a position to aid China financially.

1^v Contemporary China, Reference Digest,
No. 1, May 25, 1941.

Chapter V

THE COLLABORATION BETWEEN
CHINA AND THE UNITED STATES OF AMERICA

Although the United States is not a member of the League of Nations, her intimate cooperation with China on technical basis has long been established. Since 1931 and especially since the Pearl Harbour Incident of 1941, the cooperation between China and the United States has taken a great step of advance. This trend may be observed in the following fields:

- 1) Culture and Education,
- 2) Cooperation in Air Warfare,
- 3) Credits to China 1931-41,
- 4) Lend- Lease,
- 5) Financial Aid to China, 1942 and
- 6) Mutual Aid.

CULTURE AND EDUCATION

The Sino-American cooperation in the field of culture and education began during the latter half of the 19th century when American missionary schools were established in China. Following the schools came American scientists, artists, philosophers, statesmen, and sinologues. In exchange for this influx of American intellectuals, young Chinese students sailed for the United States for advanced training. The fine scholarship of these students and the good impression they were able to make during their stay in America finally led the American Government to return its share in the Boxer Indemnity Fund to China. This action on the part of the American Government brought forth the establishment of more schools, exchange of more students and professors, and large investments for cultural purposes by leading American institutions. Examples are the joint work of Harvard and Yenching Universities in Chinese studies, that of Yale and Yale-in-China, of Cornell and the University of Nanking in agricultural research, the

....Far

Far Eastern study projects of the Library of Congress and the American Council of Learned Societies, and the Peking Union Medical College of the Rockefeller Foundation.¹

As a result of abnormal conditions arising out of the war, a number of the approximately 950 Chinese students now in the United States are unable to continue their studies or to return to China. In view of this situation, arrangements have been made by the State Department to permit such students, in case of need, to accept employment in the United States.² Quite a few Chinese scientific and technical students are now employed by American industrial, transportation and scientific organizations under this arrangement.

American industrial, educational and other organizations and individuals have responded to the opportunity which is offered to assist Chinese students in this emergency. Such response, as announced by the State Department, would not only help to solve the financial problems which confront the students thus affected but would be of assistance to China in the prosecution of her war effort by enabling additional numbers of her young men to acquire

.....practical

¹ Statement of Mr. Chen Li-fu, Chinese Minister of Education, China at War, Vol. VI No.5 May, 1941.

² Department of States, Press Release No. 145, April 7, 1942.

practical training along lines which would make them immediately available for useful service to their country upon their return to China.

At the same time, the State Department, through its Division of Cultural Relations, made available a fund for the awarding of a number of grants to Chinese students in the United States. These are being awarded in accordance with the immediate importance to China of the student's field of specialization, as well as the student's ability and financial need. The awards are three monthly stipends (April, May, June) for minimum living expenses, whereby the student is enabled to continue his study or research for an advanced degree or to receive practical training in government departments, laboratories, or on agricultural projects, where Chinese students receive no remuneration.

The secretary of State appointed a committee of two to select qualified applicants to be recommended for awards. They are Dr. Stephen Duggan, Director of the Institute of International Education and Meng Chih, Director of the China Institute. Up to April, 1942, eighty-nine grants have been already awarded. The majority of these students

....received

received their degrees last summer on completion of their studies. A small number are being placed with the U.S. Department of Agriculture and other government departments.¹

As part of the technical training programme for Chinese students, the Technical Training Scholarships started under the auspices of the China Institute four years ago. A number of Chinese students have been placed with various American industries for a period of practical training in special lines of work related to their field of study, or to their prospective fields of service on return to China.²

A total of fifty-nine public and private organizations in automotive, highway, and communications engineering, traffic management, and related technical fields have cooperated with the China Institute in this program of technical training. Some of those corporations which have actively participated or are still participating in the program are the General Electric, General Motors, Chrysler, Ford, International Harvester, Pennsylvania Greyhound, and Santa Fe Trails. Among the engineering

....schools

¹ Provisions for Chinese Students in the United States. China Institute Bulletin Vol. VI. Nos. 6 and 7, April 1942.

² Technical Training for Chinese Students, China Institute Bulletin, Nov. 1941.

schools taking an active part in this programme are the Massachusetts Institute of Technology and Purdue University.¹

Cooperation in Air Warfare

One of the most colorful cases of Sino-American cooperation was supplied by the famous Flying Tigers, the first American Volunteer Group of the Chinese Air Force. Altogether more than three hundred American Army, Navy and Marine pilots and civilian and military ground crews were recruited in America to form the First Volunteer Group, Pursuit, in the Chinese Air Force. They were under the command of Brigadier General Claire L. Chennault, for several years chief instructor of the Chinese Air Force Cadet School.

Coming out to the Far East in October 1941 the Flying Tigers first landed in Burma and had their planes assembled at the Rangoon and Tungoo fields. Their main force flew into Kunming on December 19 and had their baptism of fire on December 20 when all of the ten Japanese planes that invaded Kunming were brought down or so badly damaged that none of them returned to their base.

The Flying Tigers were effectively assisted by members of the Chinese Air force in the collection of information, the preparation of landing fields as well as the supply of personal experience of the Chinese pilots gained in these years of war.²

¹Technical Training Scholarships, China Institute Bulletin, Vol 6.
²China After Fiver Years of War pp68-9, published by Chinese News Service, New York, N.Y.

Late in June 1942, the United States Government appointed General Chennault as Chief of its 14th Army Air Corps in China which takes the place of the said A. V. G.. With newly arrived Army bombers and veteran pilots of his own disbanded A. V. G., General Chennault is now conducting the attack directly against Japan's main air bases in China.

Another important case of Sino-American cooperation as well as the Chinese eagerness to organise a strong Chinese Air Force to cope with the present situation can be seen on the Thunderbird and Luke Fields in Arizona, U. S. A., where Chinese air cadets are learning to handle American pursuits and bombers under American instructors.

Arriving in the United States for the first time in November 1941, the Chinese cadets have found the Arizona fields an ideal place for developing their wings. There are enough training planes and gasoline for them to fly their full quota of hours and no air raids to interrupt their flying. The modern up-to-date training on the American fields will make it easier for the cadets to handle Lend-Lease pursuits and bombers when they are back in China.

Already three batches of budding airmen have been sent from China. Boys in the first batch received their wings in the first part of 1942 from Air Major General Shen Teh-hsieh, Commander of Chinese Air Cadets in America.

~ China After Five Years' of War p. 70.

Those in the second batch who had more than 150 hours in their flying logs before going to America will soon conclude their training in Arizona. Others in the third batch who had their preliminary training in Kun-ming just arrived in the States in February this year. More students chosen from among more than two thousand college students who competed in an examination to qualify them to learn flying in America are receiving primary training in China.

Observers found that Chinese cadets in America easily understand their instructors in spite of language difficulties. In fact the basic phrases and signals employed in the United States are familiar to Chinese cadets for back in China they learned flying from or at least passed their examinations through the hands of American instructors. Brigadier General Chennault, Commander-in-Chief of the United States 14th Army Air Corps in China, is the chief instructor of the Chinese Air Force Cadet School in Yunnan. Under him are a number of American veteran airmen each with hundreds of hours of air instruction to his credit teaching the American way of combat flying. Chinese cadets in Arizona do not find the American way of combat flying. Chinese cadets in Arizona do not

....find

find the American Army Air Corps training system new to them. When the former Chinese Central Aviation School at Chienchiao, near Hangchow, was thoroughly reorganized and put on a modern footing in 1931, it was Colonel John H. Jouett, former United States Army Corps officer and a West Point graduate who gave Chinese cadets a scientific training for combat flying. Colonel Jouett was assisted by his air mission of thirteen instructors and four mechanics. Before the mission left in China it established the American Army Air Corps way of air instruction. The system has been followed with necessary modifications by the succeeding American and Chinese instructors.

CREDITS TO CHINA 1931-41

. From 1931 to the end of 1941 the United States Government, through the Reconstruction Finance Corporation and the Export-Import Bank, provided credits to China amounting to U.S. \$197,111,412.36¹ Allocations in chronological order were: \$9,212,826.56 in 1931, for the purchase of wheat, \$50,000,000.00 in 1933 -- reduced in operation to \$17,165,385.80 and taken in the form of cotton, wheat and flour -- \$733,200.00 in 1937 for locomotives, \$25,000,000.00 in 1938 for trucks, gasoline and other commodities, \$95,000,000.00 in three agreements in 1940, and \$50,000,000.00 in April 1941, as stated before as a stabilization fund to support the Chinese currency.

It may be noted that the credits arranged in 1940 were granted against contracts for the delivery of

certain strategic materials. The American Government-owned Metal Reserves Company earmarked \$ 60,000,000.00 for

¹ Figures obtained through the Far Eastern Unit, Department of Commerce, U.S.A.

the purchase of Chinese materials, making payments from this fund as the shipments were received, to the Export-Import Bank, thus reducing China's indebtedness to the Bank. 1^v

Since December 1938, China has promised to pay her loans in tungsten, antimony, tin and wood oil. Despite transportation difficulties, she has been sending these vital materials to the United States regularly and liquidating the loans according to the schedules. 2^v

1^v H.S. Quigley's Far Eastern War 1937-1941, p 206.

2^v Exports of Essential Materials from China to the States.

<u>Year</u>	Quantity (in thousands of pounds)			
	<u>Tungsten</u>	<u>Antimony</u>	<u>Tin</u>	<u>Wood Oil</u>
1940	2,021	615	8,712	90,642
1939	1,065	1,740	7,300	70,544
1938	621	1,583	4,669	100,054
1937	4,234	2,663	10,007	159,330

<u>Year</u>	Value (in thousands of dollars)			
	<u>Tungsten</u>	<u>Antimony</u>	<u>Tin</u>	<u>Wood oil</u>
1940	1,680	65	3,592	18,986
1939	717	144	3,016	10,646
1938	482	134	1,808	11,133
1937	2,225	201	5,127	18,087

From Contemporary China, Reference Digest
No. 3, June, 1941.

On March 24 Jesse Jones, Secretary of Commerce of the United States Government, made the following remark on China's record:

"The deliveries of wood oil in quantities more than sufficient to repay the loan have been made by the Chinese people under the most trying and difficult circumstances. Their splendid efforts indicate not only China's determination to meet her financial obligations, but are also an evidence of the courage and resourcefulness of her people in face of tremendous hardships."

China leads the world in the production of tungsten and antimony. Of tungsten, she produces 70 per cent of the world's output. Kiangsi is the chief tungsten reservoir, with deposits estimated at 4,000,000 tons. The total production of tungsten in 1939 was 13,700 tons--- 5,000 tons in Kiangsi, 4,000 tons in Kwangtung, 2,500 tons in Kwangsi, 1,200 tons in Hunan and 1,000 tons in Yunnan. The annual production of 1941 was estimated to have doubled that of 1939.

....Besides

Besides China produces 20,000 tons of antimony every year. Hunan is the main reservoir which yields 83 per cent of China's total production. Yunnan is the chief tin-producing area. In 1940 it produced 10,000 tons--- an all-time record.

At present, the Chinese are doing their utmost to continue to supply these materials to the United States.

LEND LEASE

Additional credits were in process of arrangement under the Lend-lease Act. After it had been recognized that the countries resisting aggression were fighting potential enemies of the U.S.A., the Lend Lease Act was enacted by the U.S. Congress March 11, 1941. The Act established the principle that the United States should be the arsenal of the democracies. It empowered the President, until June 30, 1943, to order the manufacture in America of any article of defence for a country whose defence he deemed vital for the defence of the U.S. herself, and to hand over such articles by lending, exchanging, transferring, selling, or leasing. It provided that the government thus assisted might be furnished with defence information and might have their repair work carried out in American navy yards. It stipulated that the President should consult the chiefs of the defence forces before parting with any defence articles belonging to the U.S. Government, and that he should report regularly to Congress on the use made of his powers.

Funds provided under lend-lease in 1941 permitted China to make improvements on the Burma road to

....increase

increase the traffic capacity of that artery while a roughly parallel railway was also being extended for the transportation of lend-lease materials.¹ But compared with those allotted to other countries, the amount sent to China from the United States under this Act was however a small fraction.² Repeated appeals for increasing aid for this embattled nation have been made and on many occasions the President have pledged that aid.³ At a joint press conference held on February 19, 1943, by the President and Mrs. Roosevelt in honour of Madame Chiang Kai-shek at Washington, when she put the issue up to the President by remarking that when more munitions were sent to China, more men would fight, the President promised that such help would be sent "as fast as the Lord will let us". There was an immediate echo. Edward

....R. Stettinius

¹ Encyclopaedia Britannica Book of the Year 1942 pp. 395-396.

² 'About 35 percent of Lend Lease exports are going to the United Kingdom, 35 per cent to U.S.S.R. and 30 percent to the Middle East, Australia, and other ares.' Quoted from President Roosevelt's 6th Report to Congress on Lend Lease operations for the period ended Sept. 1942.

³ President Roosevelt's 7th Report to Congress on Lend Lease operation. January 1943.

R. Stettinius Jr., Lend-Lease Administrator, announced the creation of a China division to spur the flow of supplies to China.¹

The Stettinius' announcement, though purely a good will gesture, was a token of the President's sincerity in pledging more aid to China, but of itself cannot produce that aid. The volume of aid to China is determined in large measures by Lt. Gen. Joseph W. Stilwell, Commander-in-Chief of United States Army Forces in China, Burma and India and since March 1942, Chief of staff in the China theater under the Generalissimo, maintaining direct liaison with the Joint ^(or Combined) Chiefs of Staff at Washington. Actually, decisions on increased aid for China were made at the Chungking meeting early in February 1943 of Generalissimo Chiang Kai-shek, Generals Stilwell and H.H. Arnold, and other military leaders.

As indicated by the President, the factor limiting aid to China is largely due to the difficulties in transportation. Since the loss of Burma, air transports across the Himalayas from India has been the only direct means of bringing Lend-lease supplies into China. The United States Army and China National Airways' cargo planes are now flying this dangerous route regularly, but the quantities they have been carried so far have been small. The United States Government is now finding ways to send more. ^{States}

¹President's 7th Report on Lend Lease Operations.

FINANCIAL AID TO CHINA 1942

Since the United States and China being signatories to the Declaration of United Nations of January 1, 1942 which declares that "each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war", an Agreement regarding Financial Aid to China was concluded between the two Governments at Washington, March 21, 1942. ¹ The Secretary of the Treasury of the United States agreed to establish forthwith a credit for the Government of China in the amount of 500,000,000 U.S. dollars.

Such financial aid was stipulated to enable China to strengthen greatly its war efforts against the common enemies by helping China to:

- 1) strengthen its currency, monetary, banking and economic system;
- 2) finance and promote increased production, acquisition and distribution of necessary goods;
- 3) retard the rise of prices, promote stability of economic relationships and otherwise check inflation;

....4)

¹ Department of State Bulletin March 28, 1942, Vol. VI. No. 144, p.264.

- 4) prevent hoarding of foods and other materials;
- 5) improve means of transportation and communication;
- 6) effect further social and economic measures which promote the welfare of the Chinese people; and
- 7) meet military needs other than those supplied under the Lend-Lease Act and take other appropriate measures in its war effort.

The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred by the two contracting parties until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits full cognisance, as agreed with by both parties, shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and

....the

the betterment of world-wide economic and financial relations.

MUTUAL AID

Following this agreement the two governments proceeded further by negotiating an agreement concerning mutual aid. It was signed at Washington on June 2, 1942 by Cordell Hull, Secretary of State of the United States of America and T. V. Soong, Minister for Foreign Affairs of China. Under this agreement the Government of the United States of America will continue to supply the Government of the Republic of China such defense articles, defense services, and defense information as the President of the United States of America shall authorize to be transferred or provided. In return the Government of the Republic of China will continue to contribute to the defence of the United States of America and the strengthening thereof and will provide such articles, services, facilities or information as it may be in a position to supply.

The following terms are also embodied in this agreements:

1. The Government of China will not without the
.....consent

consent of the President of the United States transfer title to, or possession of, any defense article or defense information transferred to it under the Act of March 11, 1941, of the Congress of the United States or permit the use thereof by anyone not an officer, employee or agent of the Government of China.

2. If, as a result of the transfer to the Government of China of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States who has patent rights in and to any such defense article or information, the Government of China will take such action or make such payment when requested to do so by the President of the United States.

3. The Government of China will return to the United States at the end of the present emergency, as determined by the President of the United States, such defense articles transferred under this agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States or of the Western Hemisphere or to be
.....otherwise

otherwise of use to the United States.

4. In the final determination of the benefits to be provided to the United States by the Government of China full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of China subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States.

5. In the final determination of the benefits to be provided to the United States by the Government of China in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States and China, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures of, production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce; to the reduction of tariffs and other

....trade

trade barriers; and, in general, to the attainment of economic objectives identical with those set forth in the Joint Declaration made on August 14, 1941, by the President of the United States and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

PART III

CONCLUSION



Chapter VISuggestions for International Technical Collaborationwith China

It cannot be denied that in the domain of international politics, the League of Nations has been proved a failure. The incessant invasions played by the Axis countries and the League's unsuccessful attempts to check them have caused disappointment against the League. Such feeling is derived from a rather mistaken conviction that the League's duty is only to dissipate conflicts among nations by obliging them to observe various international treaties and agreements, the binding force of which, in fact is always to be questioned. It should be on a more positive basis upon which the League's efforts be re-estimated.

Whoever has a thorough study in the League's activities cannot but recognize the fact that it has rendered and is rendering invaluable services for the world by extending financial and technical assistance to its member states, by improving world communications and transits, by assisting in prevention of diseases, by undertaking relief work and by sponsoring intellectual cooperation among nations. These activities constitute however a safer basis upon which the peace of the world can be permanently established.

As the saying goes, men will love each other more if they

try to help each other. By sponsoring mutual assistance and creating mutual love among nations, we can possibly see that territorial expansion and racial domination will be no incentive to ambitious nations and hatred and bloody struggle will finally wane out in this world. The League's technical collaboration with China, though small in scale, has shared this highest aim of international politics. By sending experts of various countries to work in China and by providing her with funds, materials and technical equipments, the League did much not only in expediting her national reconstruction but also in leading other countries to be more closely connected with her so that international solidarity are being created among them.

With this aim in view, it is hoped that the Technical Collaboration as was undertaken by China and the League of Nations shall be continued and more extensively promoted by the common effort of the United Nations. The following ^{personal} suggestions are expected to serve this purpose.

In the first place, the collaboration in question shall not be confined to its purely technical character. On the contrary it shall represent a new political ideal of promoting world peace and benevolent progress of mankind.

It was sometimes misunderstood that the collaboration between China and the League was nothing but a disguised form of the "Open Door Policy" of the United States and other European countries for preventing any country's domination in the Far East. It was strongly opposed both by Japan and the Chinese Communists, the former being always jealous of every thing that

China undertakes to build up her own nation, while the latter seeming to regard that the appropriations to China by the League would mean no other than an outlet of the superfluous capital of the capitalist countries and thus perform another Capitalist's expansion.

These oppositions, however, have not much ground. Accepting the requests of the Chinese Government on Technical Collaboration, the League has repeatedly stated that the Technical Organizations of the League should be prepared to lend a hand in the economic reconstruction of China. As Dr. Rajchman said in his report to the League, the purpose of the League's Technical Collaboration with China was to train or complete the training of a body of Chinese experts, and to enable specialists in the Chinese administration to benefit by the experience of foreign countries. This aim will be more clearly explained if we refer to Dr. Sun Yat-sen's suggestion in the Preamble of his Second Plan for National Reconstruction. "The World War I," he said, "has proved to mankind that war is ruinous to both the conqueror and the conquered and worse for the aggressor. What is true in military warfare is more so in trade warfare. In order to prevent recurrence of war in the future, President Wilson organised the League

~ Essential Facts about the League of Nations 1939 p.301

of Nations. I desire to end the trade war by cooperation and mutual help in the development of China. This will root out the greatest cause of future wars. "Since the world has been greatly benefited by the prosperity of American industry," he added, "we would not fail to create another new world by developing China's industry. I am sure those who join to work for it will reap immense advantages."

This is the aim of China's National Reconstruction, an aim which may be happily attained under the common effort by China herself and all other nations under the form of Technical Collaboration. The present cooperation among the United Nations is again an ample proof of a common conviction that peace and prosperity in this world can be only achieved by the united effort of all nations each contributing her share to help the others.

Secondly, it is hoped that the present International Technical Collaboration with China and similar collaborations now existing among all other United Nations will be coordinated as a whole with a view to win this war and to pave a way for post-war reconstruction. The coordination shall be undertaken by an International Council represented by all the United Nations to be responsible for the entire field of the said collaboration.

The function of this Council is to elaborate plans and to make all necessary arrangements so that each nation may provide the other with such articles, services, funds, facilities or

information as each may be in a position to supply. The articles, services, funds, facilities or information that can be possibly provided by each nation shall be made in common pursuant to common plans and shall be made in the form of reciprocity.

The existing British-American Combined Chiefs of Staff¹ which was established in Washington at the end of 1941, may be regarded as an example toward the creation of the proposed International Council. Under the Combined Chiefs of Staff, there are nine organs; namely, Combined Intelligence Committee, Combined Staff Planners, Combined Meteorological Committee, Combined Military Transportation Committee, Munitions Assignments Board, Raw materials Board, Combined Shipping Adjustments Board, Combined Production and Resources Board and Combined Food Board. Similar organizations are also created in London. They are four in number i.e. Combined Shipping Adjustments Board, Food Board, Combined Raw Materials Board, and Ministry of Supply. The inauguration of these organisations is, as explained by President Roosevelt, to carry out the principles laid down in the Declaration of the United Nations and to manage the Lend Lease supplies. In these combined organisations, China, Russia and other United Nations are also represented. ²

¹ The American Press Digest, Vol 115, Sept. 17, 1942.

² Free World, February, 1943. First Year of the United Nations p.103.

Besides, the Roosevelt-Churchill conference, which meets two or three times a year to review the over-all aspects of the war and to formulate new policies with the aid of Stalin and Generalissimo Chiang, serves ^{for the time being} as a supreme war executive of the United Nations. The Pacific War Council with representatives from the United States, England, Holland, Australia and New Zealand, which reviews each week the development of the war in the Pacific and its relationship to other fronts, is also worthy our attention.

In order to promote closer collaboration among the United Nations, these combined organizations shall be amalgamated into the proposed International Council. The Council shall also incorporate the League of Nations and the International Labor Office which is still carrying on its admirable work in the present war. With regard to the organisation of this Council, the following international committees shall be created :

- 1) The Information Committee, whose function is twofold:
 - a. to gather informations from all over the world and to distribute them among the United Nations concerned;
 - b. to adjust the programme and contents of the propaganda undertaken by all the United Nations;
- 2) The General Planning Committee

to serve as a supreme war executive of the United Nations and to decide their common strategy;
- 3) The Man Power and Service Committee

to train and to assign the peoples of the United Nations so that they may work or fight more efficiently under a common plan;

4) The Production and Resources Committee

to integrate the industrial efforts of the United Nations through standardization, specialization, joint distribution of raw materials and joint scheduling of production;

5) The Production Assignment Committee

to assign munitions, machines, tools, goods, foodstuffs and any surplus of production among the United Nations according to their needs;

6) The Transportation Committee

to allocate air planes, ships, trains, trucks and other transport facilities among the United Nations to direct the operation of a joint pool of United Nations' transportation;

7) The Economic Warfare Committee

to combine the effort of the United Nations in boycotting Axis or pro-Axis firms, stabilizing currencies of the Allies, maintaining price control and allocating financial assistances in the form of loans to United Nations;

8) Research Committee

to study specific problems arisen from the present war and to plan general relief and post war reconstruction on a scientific and representative basis.

If the International Council and the said committees are well established, the international collaboration with China will doubtlessly be more efficiently carried on, and so will be the collaboration among all the nations.

Thirdly, concerning the administration of technical collaboration in China there still remains room to be improved.

1. It seems that the specialists sent by the League to work under the Chinese Government were more connected with the League than the Chinese Government. If difficulties arose in the course of their work, some of them directly appealed to the Secretary-General instead of to the Chinese competent authorities, thus causing considerable misunderstandings and inevitable delays. *

2. Since the dissolution of the National Economic Council in 1938, the Ministry of Economic Affairs took charge for first consideration of all matters with regard to the collaboration between China and the League of Nations. Some of these matters, in fact, were beyond the Ministry's normal management. Such arrangement was therefore inadequate.

3. Organizations, such as the China Defence Supplies, United Kingdom Commercial corporation, the Board of Trustees for the Boxer Indemnity Funds, the China Institute, etc, are entrusted by the Chinese Government to take charge of various fields of Technical Collaboration between China and individual countries. There is lacking in the Chinese Government a body to plan as well as to manage the whole technical collaboration in question.

In order to ameliorate the above unsatisfactory situation,

A special Board shall be created in the Chinese Government to be responsible for the entire field of the operation of the International Technical Collaboration in China. This Board shall consist of Ministers of the Executive Yuan whose duties are in connection with the said collaboration. The function of this Board shall be as follows:

1. to send representatives on behalf of the Chinese Government to the International Council;
2. to gether information for the Council;
3. to send or receive articles assigned by the Council;
4. to nominate foreign technical experts to be sent by the Council to work or study in China and to recommend Chinese experts or workers to be placed at the disposal of the Council;
5. to dispose any funds allotted by the Council; and
6. to serve as an administrative body in the entire field of Council's technical work in China.

Lastly, reference shall be made for the fields of the Technical Collaboration in China.

In the present war China is carrying on a dual programme of resistance and reconstruction. While the United Nations are cooperating with her to fight against aggression, they are also helping her to rebuild her nation. Of the various aspects of national rebuilding, however, economic reconstruction as out-

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lined in the Fundamentals of Dr. Sun Yat-sen's Industrial Plan is the most urgent and essential. The following is a brief programme for China's economic reconstruction based upon Dr. Sun's original proposals, Generalissimo Chiang's Ten Years' Plan and also the writer's own suggestions:

1. Development of a communication system:
 - a. Production of 12000 transport planes in ten years,
 - b. 100,000 miles of railways,
 - c. 1,000,000 miles of macadam roads,
 - d. Production of 220,000 automobiles, in ten years.
 - e. improvement of existing canals and construction of new Canals,
 - f. River conservancy,
 - g. telecommunication lines and systems.
2. Development of commercial harbors and modern cities in all railway centers and termini and alongside harbors.
3. Water power development.
4. Iron and steel works and cement works.
5. Mineral development.
6. Agricultural development.
7. Irrigation works in Kweichow, Mongolia and Sinkiang.
8. Reafforestation in Central and North China.
9. Technical education--2,460,000 graduates within ten years.
10. Improvement of public's health.

These are all the urgent needs of China today. The International Technical Collaboration with China shall be directed to assist in the realization of this programme.

If this programme can be carried out gradually, China will not only become the "dumping ground" for foreign goods and surplus machines but actually will be the "economic ocean" capable of absorbing all the surplus capital as quickly as the industrial nations can possibly produce. Besides, by employing on a large scale foreign experts and technicians to work in China, she will certainly assist in solving the problem of employment which is doomed to occur in certain countries if this war has ceased. Moreover the said collaboration will bring forth China's richest natural resources, enormous manpower as well as her culture, one of the earliest of mankind's civilizations and the stored up experience of centuries, to be placed at the disposal of the family of nations for common good. All this could only be done in a spirit of helpfulness.