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## RECENT EVENTS IN CHINA

(DECEMBER, 1949-MARCH, 1950)

A panel of members of the Society and others has been meeting to collate information on China for the benefit of readers of the Journal.

*Preliminary:* This report is an attempt to combine a general record of the known events of three months in and concerning China with a summary of particular information on the subject supplied to the panel, together with an analysis of deductions made on the basis of these data at meetings of the panel. It must therefore be allowed in advance that dates, which must be related to discussions, will overlap, and that the pure form of a diary will be vitiated by the interspersions of comment and speculation.

December, 1949, saw the end of any pretence at effective Kuomintang resistance on the mainland of China. Transfer of the seat of the Nationalist Government from Chengtu to Taipeh on Formosa (8th) was followed by Chengtu's capture (13th), virtually completing the occupation of Szechuan, and by the defection to the Communists of Yunnan (9th), Kweichow (11th) and Sikang (15th). In the south, Communist troops drove up to the Indo-China border, which was crossed by retreating Nationalist units who were disarmed and interned by the French. The Communists subsequently accused the French of shipping some of these troops to Hainan Island to rejoin the Nationalist forces there.

In China's international relations, Burma and India offered recognition to the Peking Government. Mao Tze-tung's arrival in Moscow was announced on the 17th. In the United Nations, Russia began a series of boycotts by refusing to take part in the Assembly debate of China's charges of Russian aid to the Communists. The charges were referred to the "Little Assembly" (8th).

In the closing days of the year and in the first of January, 1950, reports were current of an American intention to give military aid to the Nationalists in Formosa. These were scotched by President Truman on the 5th, but doubts remained as to the general American attitude, while Britain withdrew recognition from the Nationalists and accorded it to the Central People's Government in Peking (6th). The panel meeting on January 12th discussed the future of Formosa, with particular attention to the effect on China's foreign trade of the blockade of Shanghai and other China coast ports by ships and aircraft based there. It was pointed out that recognition of Peking by Britain and other countries would not necessarily facilitate a breaking of the blockade, as protection was already being given to shipping outside Chinese territorial waters, and this could only be extended within such waters by invitation of the Communists. Such invitation to foreign warships would run counter to the Communist policy line, and was unlikely to be made unless the internal situation was desperate. At the moment trade was moving fairly freely to North China ports and there was wide internal distribution by rail. The blockade

might in fact be thought to be providing a handy excuse for the wider Communist policy line of decentralizing industry and population from Shanghai, while shifting from the Communists some of the focus of popular resentment at the personal hardships caused by this policy. Nevertheless, the evidence suggested that Shanghai people were a good deal less sure of the virtues of the new régime than were those of the north. This was not expected to alarm the Communists into going back on their isolationism as long as they had some means of bringing in through the northern ports sufficient goods to maintain an overall subsistence level.

At the same time consideration was given to the grave difficulties that from the Americans' own point of view would in a few months appear to continuance of their support for Formosa and corresponding boycott of the mainland. In particular, it was suggested that this policy ran counter to America's desire to set Japan on her feet economically, for which purpose the building up of trade with China was essential. Already *ad hoc* arrangements had been made between the occupation authorities and concerns in China for the exchange of needed goods.

This American economic motive was thought likely—even within a few months—to prove the determining factor for the survival of the Nationalist régime in Formosa. Despite widespread local discontent with the Nationalist incubus, the inhabitants were thought unlikely to make successful common cause with the Communists; the likelihood of direct military invasion of the island in present circumstances was equally discounted. Thus, granted continuance of American recognition and economic aid, there seemed no immediate factor powerful enough to overturn Chiang Kai-shek. On the other hand, it was generally agreed that there was no possibility of a Kuomintang return to China.

During the latter part of January attention was mainly devoted to the long-drawn-out stay of Chairman Kao Tze-tung in Moscow, where he was joined on January 20th by Premier Chou En-lai, accompanied by the Vice-Chairman and trade representatives of the North-east (Manchurian) People's Government. On January 30th they were joined by the Vice-Chairman of the Sinkiang Provincial Government. Meanwhile, U.S. Secretary of State Acheson charged (12th) and Russian Foreign Minister Vishinsky denied (21st) that Russia was preparing the absorption of northern areas of China, including Manchuria and Sinkiang. In the latter province it was announced (10th) that the Ili forces (which had been maintaining a separate State with Russian backing) had been absorbed into the Chinese People's Liberation Army, and (30th) by the Chairman of the Provincial Government that Sinkiang was "an inseparable part of the territory of the People's Republic of China."

The Moscow negotiations were illuminated from time to time by words and actions developing Sino-Russian attitudes to other Powers in the Far East. Among these was the seizure in Peking of the American, Dutch and French former Embassy Guard barracks (January 14th).

In the United Nations, meanwhile, the Russians—supported by East European States—made their demand in the Security Council for the replacement of Nationalist by Communist Chinese representation

(January 10th). At the same time Peking repeated its formal demand for representation (January 19th) and named as its chief delegate Chang Wen-tien, a member of the Chinese Communist Party Central Committee's Politburo and of the North-East People's Government Council.

In relations with her immediate neighbours China's claims to "liberate" Tibet became more strident. An announcement that Lhasa intended to send missions to Britain, the United States, India and Nepal (late December) brought strong reaction, and resolutions by groups of Tibetans in China's western provinces purporting to welcome Peking's pretensions were given wide publicity. At the same time, there was in most of Peking's statements a note of willingness to negotiate with a complaisant Tibetan authority a relationship providing for some degree of autonomy.

January's most striking developments, however, and those which seemed most directly to indicate Sino-Soviet co-ordination in Moscow, were in relation to Indo-China. Recognition first by China (January 19th) and then by Russia (31st) of Ho Chih-minh's Viet Minh movement as the Government of Viet Nam brought to a head a campaign which had been detectable on two levels since at least the general exhortation to "People's Liberation Movements" throughout South-East Asia made at the Peking Asian Trade Union Conference in November.

The first prong of this attack culminated in recognition of Ho Chih-minh, the second in a formal protest (January 19th) from Chou En-lai to the French Government covering alleged French atrocities against Chinese residents in Indo-China.

This situation was the main theme for discussion at the panel's February meeting, which took place just after Britain and the United States had announced recognition of the Bao Dai régime in Viet Nam (7th). Among the aspects raised was the divergence of views between members of the Commonwealth (notably the United Kingdom and India) at the Colombo conference as to the relative support accorded by nationalists in Viet Nam to Ho Chih-minh and Bao Dai, and as to the validity of the sovereignty accorded to the latter by his agreement with the French. It was suggested that since the basis of Indian policy is the total abolition of colonialism in Asia, the difference of approach (particularly in the matter of control of foreign policy) between Britain and France in granting independence was a potent factor in disinclining the Indians to regard Bao Dai as other than a puppet. To the Vietnamese themselves Ho's claim to power might be more impressive than Bao Dai's dynastic background; it was perhaps only outside the country that Ho's subservience to Moscow was fully appreciated.

At the same time it was noted that this very link with Moscow, presented as an alliance, was of value to Ho, whereas the Chinese connection—Communist or no—might detract from his popular support in view of the general unwillingness of South-East Asian peoples to accept Chinese penetration. Peking's recognition of his régime, though probably of material value, was likely on the wider view to have been Moscow-dictated as a necessary harbinger of Russian recognition.

On the charges and counter charges regarding border crossings by

Chinese troops, no credence was attached to Communist stories of French connivance at Kuomintang violations of the frontier. But members pointed out that French control of the country areas of the Tongking border was very sketchy, and it was therefore thought quite possible that some Kuomintang troops were maintaining themselves under arms in Indo-china, and perhaps even—as Peking had alleged—using it as a base for raids back into China. Kuomintang allegations that Chinese Communist troops had crossed to the aid of Ho Chih-minh were not confirmed from other sources, but some form of contact was likely.

No special significance was attached to Peking's agitation about the position of overseas Chinese in Indo-china, it being pointed out that such agitation in relation to one or another South-East Asia country was a traditional feature of the policy of successive Chinese Governments, especially at times when their internal authority was uncertain, and at times of economic stress.

The meeting also considered the economic implications of the struggle in Indo-China, particularly in regard to the country's rice exports, whose maintenance was at once vital to other parts of South-East Asia and of considerable potential value to China as a marginal source to draw on in times of bad domestic harvest. On one side, it was suggested that the threat to the whole Western position in South-East Asia implicit in the danger of these rice sources falling into the Russian sphere of influence was insufficiently appreciated in the United States; on the other, the question was raised whether communications would permit any substantial import of rice by China from areas controlled by the Viet Minh.

On February 14th many old questions were answered, and as many new ones raised, by the announcement of the signing of a new Sino-Soviet Treaty. On publication of the terms of the Treaty and its annexed agreements attention focused on five main points:

(1) The "post-dated cheque" which laid down that "after the signing of a peace treaty with Japan (but not later than the end of 1952) the Chinese Changchun railway is to be handed over to the complete ownership of the People's Republic of China and Soviet troops are to be withdrawn from Port Arthur."

(2) The fact that the "long-term economic credits for paying for deliveries of industrial and railway equipment from the U.S.S.R." amounted to less (U.S. \$300 million) than those granted to Poland, and that the materials specified in the agreement for supply from Russia bore a resemblance to those removed from Manchuria by the Russian armies in 1945.

(3) The statement, in the communiqué issued by Moscow and Peking in connection with the treaty provisions, but not elsewhere detailed, that the Soviet Government had decided "to hand over gratis to the Government of the People's Republic of China the property acquired by the Soviet economic organizations from Japanese owners in Manchuria, and . . . all the buildings of the former military cantonment in Peking."

(4) The equivocal terms relating to the future of Dairen.

(5) The absence of any mention of Sinkiang.

At the same time the Nationalists were active in their international

relations. On February 7th they presented to the "Little Assembly" (see above) their complaint against the Soviet Union for interference in China's internal affairs. After hearing the Chinese delegate's statement, however, the Assembly adjourned without debating or voting on the question. February 11th when General MacArthur ordered the detention in Japanese ports of nine ships bought by the Nationalists from the United States, on the grounds that mortgages on them were overdue, saw the first step in a series of economic moves which the Chinese Communists interpreted as designed to keep from them physical assets belonging to the Chinese people. American authorities in many parts of the world sought similar injunctions against Chinese ships similarly obtained in the first place from the United States, but on February 22nd those originally held in Japan were released on the grounds that the mortgage requirements had been met.

A more notable case of the same sort during the month concerned the aircraft and fixed assets in Hong Kong of the two principal Chinese airlines—the China National Aviation Corporation and the Central Air Transport Corporation. The principal officials of these organizations had some months previously declared for the Communists, and indeed flown a machine to Peking to declare their and their staffs' allegiance. The property of the airlines was subsequently sold to a third organization, the Civil Air Transport Company, organized by the American General Chennault and incorporated in the United States. At the time of the transfer of loyalty by the airlines' executives, the Hong Kong authorities had refused to allow movement back to China of their aircraft in the colony, but on February 23rd the Hong Kong Supreme Court, rejecting General Chennault's plea, lifted this injunction.

Meanwhile the Nationalists were showing from Formosa significant strength in the air. In particular, a raid on Shanghai on February 6th, directed particularly against the (American-owned) Shanghai Power Company's station, was reported to have seriously affected the city's life and working capacity. Protests by foreign groups in Shanghai against this destruction and dislocation were received at United Nations headquarters and in London and other Western capitals. On February 9th the Americans, and on February 13th the French, formally protested to the Nationalists against attacks on their nationals' property in China. Official replies from Formosa stressed the Nationalists' claim to attack installations likely to be of value to the Communists in consolidating and extending their military position.

The *March* meeting of the panel considered China's economic outlook particularly in the light of the Sino-Soviet treaty on the one hand, on the other the effect of increased Nationalist blockade activity on the resuscitation of a normal trading pattern between China and her former suppliers and customers. It was suggested that, while nothing had disproved the January discussion's conclusions about the convenience of the blockade on its original scale to the Communists' own purpose of preparing for politically enforced self-sufficiency by decentralization from, especially, Shanghai, the immediate difficulties caused by intensified bombardment went beyond this to cause immediate embarrassment. Real wealth was

being destroyed in the new raids, and this must be a factor in a situation where there was an urgent need for its increase.

The panel went on to discuss the relevance to Peking's redistribution policy of the terms of the economic agreement reached in Moscow. Western publicists' emphasis on the smallness of the loan granted failed to find general support. Members felt that the sum involved might well prove useful to China, at least in terms of maintenance of communication facilities and renovation of existing industrial plant—much of which, it was pointed out, was now lying idle for lack of equipment. To go further in terms of provision of capital for development would run counter to two Chinese doctrinaire principles: that dating back to Sun Yat-sen which laid down that foreigners had been the death of China's economy, and that particularly advanced by Mao Tze-tung, to the effect that all China needed for prosperity was honest and efficient government. Therefore, even in dealing with Russia, it might be that the Chinese were prepared to submit to restriction of their development in the interest of avoiding suspicion of bowing to foreign economic imperialism. At the same time it was difficult to see how without capital investment from abroad the Chinese were to finance the development of industries which in the past had been mainly in the hands of foreigners. A case cited was that of Yangtze shipping, four-fifths of which had been foreign-owned and was no longer available for essential communication tasks. It was also mentioned that even in the limited terms of their present coal trade with Japan, Korea and Hong Kong the Chinese had laid down that exports must be carried away in Chinese tonnage, but so far had been unable to provide this tonnage and had had to permit the use of foreign ships.

As regards the use of the Russian loan in terms of the relocation of existing plant, it was generally felt that the Russian aim was, for strategic reasons, to encourage the rebuilding of Manchurian heavy industry. In many ways this would accord with the limited possibilities opened up to China by the loan, but it was pointed out that there were plenty of precedents for Chinese Governments circumventing the desires of lenders when it suited them. At the moment light industries evacuated from China were being re-established in many areas south of the Great Wall, particularly in Honan and Shantung, as well as in Manchuria. It was not likely that any Chinese Government would submit to the economic emasculation of Central and South China merely in Russia's strategic interest.

Another subject of discussion at this meeting was the often grievous, and seemingly largely arbitrary, restriction of foreign businessmen's activities and movements in various parts of China. Shanghai seemed the hardest-treated port in this respect, and interference with foreigners' movements in this area was such as to suggest that it was a manifestation of a coherent high policy. Even here, though, much seemed to depend—as under former régimes—on the whims of individual local officials. In the north the situation appeared to be better, while there was no evidence of any unified policy in South-East China ports. For instance, little interference had been felt in Amoy, where former officials had maintained

their position in the civil administration, whereas in Swatow traders had met with considerable difficulties. On another level, a case was noted where complicated regulations were impeding the import of essential machinery for a foreign enterprise in North China, but it was acknowledged that recollection of what had happened in the past to foreign currency released ostensibly for such purposes might well make the new Government exaggeratedly careful about such releases even in dealing with people against whom no suspicion could lie.

Finally, the question was raised whether the recent drop in world free gold prices might have been influenced by Kuomintang unloading of their stocks to maintain themselves, by the substantial drying up of China as a market for gold or even by the release of Russian gold stocks through China on to the world market. There was evidence that the Kuomintang had been selling tungsten, though not gold, below world prices, but little more definite fact was available and the question was left in abeyance for members' study.

