

Not for publication

POLITICAL AND ECONOMIC CONDITIONS IN THE OCCUPIED AREAS
OF EAST CENTRAL CHINA

A REPORT PREPARED AT THE REQUEST OF THE INSTITUTE OF PACIFIC RELATIONS

A Composite Account from Ten Americans Living at Various Points in the Provinces of Kiangsu and Anhwei. (Shanghai is excluded because of its special conditions and better known circumstances. Data are for the summer of 1939 unless otherwise indicated).

1. THE REFORMED GOVERNMENT, BOTH CENTRAL AND LOCAL ORGANS.

1. Area under Control.

Under complete control, not one-tenth of Kiangsu or a twenty-fifth of Anhwei could be counted. Under sufficient control to exclude the functioning of other authorities in any useful degree, perhaps one-fifth of Kiangsu and one-twelfth of Anhwei. Control follows very closely the Yangtze River, the railway lines, a few highways (usually short radiations from important cities), and fraction of the canals. In not many areas does it extend farther than two or three miles from the line of communication, though from a few main centers there is a radial complex of some importance. In the past twelve months there seems in total to be little change in the area controlled by Japanese elements; while the area under organized Chinese control has greatly increased and has been brought close to the Japanese lines, largely filling up the considerable "no man's land" that existed after the original Chinese defeats and withdrawals.

2. Type and Quality of Personnel.

With the exception of one third-rank city in which the deterioration is only slight, all reports indicate a personnel sadly inferior to the nominal importance of the places held, and likewise to the type of officials who governed before the war. The number of old men and of men without modern training is notorious. Younger men are usually those in subordinate positions, seeking and holding them simply as a means of keeping their families alive since the emergency period has been so long extended. Opium smokers are prominent in all ranks. There is a fair sprinkling of aged gentry and other property-holders whose main concern is to lessen the risks of confiscation by taking an apparently active part in the new regime; yet in smaller localities they are often outnumbered by men who previously had no visible means of support or were definitely classed with criminal and other low elements. In some administrations, whole departments are in the hands of an unsavory secret society, the An Ch'ing Pan (Hung Pan), which controls employment in entire industries and provides "protection" at a heavy tax under discipline of death.

In certain official groups there is an element of relatively decent men who are simply trying to make the best of a bad situation, carrying on their own traditions of local responsibility, and lessening as best they can the brutal pressure on themselves as a group and on the community for which they act as a buffer. In the central administration there are some men who ten to twenty years ago were put out by mintang or by other political changes, and who are now pressed

Please give a chance at this to Mrs. May Trevelly, Mrs. Tager and Mrs. Davis, well known, and Prof. A. N. Holcombe, Chairman

families and retainers to come back into their "rightful" places and desired control of patronage; others among whom pique or a sense of grievance against the Kuomintang is at least one motive. But all in all, acquisitiveness in every degree is the predominant mover. Evidence of broad public spirit or of reconstructive zeal is not to be found. The rough handling by the military which most of the officials have experienced in person, and still experience not infrequently, is a serious bar to rallying more men of a good type, since personal dignity is basic to a decent life as judged by Chinese literati.

3. Attitude of the People Toward the Regime.

Popular support for the new order was made impossible by the Japanese Army. In the area controlled by Japan, a large percentage of all Chinese families suffered within their own experience the murder, wounding, rape, or beating of one or more members; the burning of their houses, shops, or farm stores and equipment; the looting of part or all of their possessions; and above all, months of terror, hunger, and despair. In smaller places some of the terror continues to this day; in all places the economic distress is general, and the effects of the military occupation and its methods bear upon daily life to an incredible degree. Everywhere among coolies and farmers one can hear the questions, often in whispers: "When will the Central Army come back?" "Is there any hope for China?" Or the statements: "So long as the Japanese Army is here, there can be no business and no security." "Everything has been ruined." "We want our son to get out. There is no hope for young people here."

Even the most ignorant knows that power lies with those who have and use guns, not with those who are called a "Reformed Government", and all grades of public employment are termed "Working for the Japanese" (not as a strained accusation, but a simple statement of fact). Nevertheless, the traditional acceptance of authority, and the proved defencelessness of the ordinary citizen, combine with economic needs to turn many of the uneducated away from active resentment against the regime. Individual experiences of mistreatment, injustice, and hardship are often considered as such, without political philosophizing. Thus among the lower groups of society there is tendency for hostility to drop into a latent form. If Chinese activity brought any immediate revival of hope, mass risings might be expected. But mean-while the claims of hunger and of crying children require accommodation. Among educated persons, merchants deprived of opportunity, and property-holders who have suffered looting or expulsion, hostility has not sensibly diminished and indeed is continually recruited by new deeds of exploitation. Contempt and hatred for the low quality of Chinese in the administrative offices is common, and there is fervent talk of the destruction that awaits them when a genuine government is restored.

It should be remembered that free territory is never more than a few miles away, and that practically every one has friends and relatives on the other side of the line. All adults are conscious of the economic frontier and its effects upon their food supply or livelihood. Hence the limitations of the occupied areas are lively in the minds of their inhabitants.

4. Methods by Which Japanese Control of Government Is Maintained.

Not only are Japanese soldiers everywhere, and Japanese sailors at some points, but in all important places there are also sizable detachments of gendarmes or military police, consular police, and men of the dread and hated Special Service Department (the last-named sometime present only in the form of its subdivision, the Pacification Squads). These are all armed and active.

Japanese military administration is not adequately centralized nor clearly departmentalized. Hence any and all of these organizations, to say nothing of the higher economic organs and the semi-official transportation and utilities companies, may take a hand in government. Not infrequently a Chinese official is hamstrung because of the opposing programs of the Military Police and the Special Service, and occasionally he has a lucky escape from a tight place, thanks to their clashes. In important centers there are regularly appointed advisers, particularly for the various organs of the Reformed Government. One carefree official told a foreign acquaintance that he was not busy, for "the Japanese do all the work."

Control works fundamentally through power to appoint and to dispose. Its sinister aspects are found in elaborate systems providing for delation and in minute spying by the various supervisory groups and their agents. Certain agents are men of a low type who have fallen into the hands of the severe police organs, and are required continually to redeem their lives by supplying charges against Chinese especially against men in any post of influence or wealth. In smaller localities, and occasionally in large cities, physical beating, confiscation of property, and pressure upon families, are employed to get men in the first place to accept responsible positions and then to hold them in line. Certain bodies of officials are bound by five-man mutual guarantees, in which the freedom and possessions of each are forfeit in case one of the five decamps or gets off the right political track (which is the exact idiom employed).

In defence of these rather primitive methods, it must be said that the Japanese have considerable grounds for suspicion. There is regular reporting from the inside of government offices to Chungking, and there is a great if irregular stream of private talk that amazes westerners. It is hardly too much to say that every report of a Chinese military success (and the reports outnumber the facts) is celebrated in many an official group of the puppet administrations. Moreover, the amount of resistance shown by existing puppets to the plans for replacing many of them by Wang Ching-wei and his followers, is not pleasing to the upper groups of Japanese officers -- partly because this resistance is aided by certain Japanese groups who find the present set-up not unprofitable to their interests.

11. PUBLIC ORDER AND PUBLIC WELFARE.

1. Security. Police. Justice.

Cities report that the disorders of the fearful months following the Japanese occupation have largely been over come. Petty robbery is excessively frequent, because of poverty, drug addiction, poor light-

ing and inferior police work. Major risks to property are those of confiscation and other acts and policies of the conquerors. Although security is inferior to that of pre-war times, the atmosphere is one of relief by comparison with a year ago. Country districts are seldom safe from banditry, and the conduct of soldiers away from supervision is inferior.

Some hint of Japanese police methods has already been given in reference to control of Chinese officials. But private homes and shops are overrun with the same kind of treatment, and police themselves have removed much property from its rightful owners. A frequent comment on Vespa's book, "I Was a Japanese Spy", runs like this: one could hardly have believed such evil until he lived in occupied territory. Some officers and men conduct themselves well; but too many innocent persons suffer from police activity, and too much of the dirty work is originated or supported from inside. Detective work in the western sense is practically unknown. Torture of suspects, relatives and bystanders is the prevailing method of incrimination. Detention for days, weeks, and months without trial is ordinary. There are many and well-founded complaints that justice and security are on four differing levels; one for Japanese military; one for Japanese civilians; a third place of privilege for puppets and favored Chinese; a fourth place of arbitrary severity and insecurity for the main body of the people.

2. Welfare. Education. Narcotics.

Hospital services in two or three cities, wider clinical assistance and provision of some medicines, campaigns of vaccination and inoculation; these are among the few definitely useful functions of the Japanese under the new regime. It would be ungrateful to point out that they are only a partial replacement of the health services available before the invasion; and that the compulsory features and military procedure deprive some of the preventive work of its due appreciation. There are reliable witnesses of hundreds of successive inoculations made with one needle uncleaned, as also of several hundred persons required at the point of a bayonet to gargle from three cups. Smaller places commonly report no health services whatever; sometimes a pretence is maintained with wretched personnel; not infrequently the compulsion is derided by the selling of inoculation certificates.

Relief work is negligible, though the need for it is great. In some places during the first weeks or months of occupation, Japanese military units released fractions of confiscated stocks of grain; in others, puppet authorities have secured and sold below the market price some supplies of rice. Nowhere is there indication that considerable funds have been used or even intended for relief work. The distributions actually made bear a close relation to Japanese moving-picture cameras, and also to personal connections within the local administrations.

In education there is a slow and slight recovery from complete stoppage. Higher education is not seriously thought of; normal work is small and political in character; secondary schools are not a tenth of the former number; primary schools are barely one-third of the former scale. Quality is still lower than quantity. Everywhere there is complaint of untrained teachers, who have secured their jobs because they have the right relatives. Propaganda for the Japanese Army, for the new regime, against the Chinese National Government, and against western countries, is practised through textbooks, through special lectures by Japanese, through songs and demonstrations, and by the use of posters and drawing

lessons. There is much effort to introduce the Japanese language, not only in ordinary schools but by means of special training classes. Many parents are sending their older children to unoccupied territory for education.

The provision and sale of narcotice is a prominent function of the New Order in this part of China, with effects more substantial than a little health work. Allowing for one possible exception, all reports agree that the drug problem is incomparably worse than before the war. Opium is a major source of revenue for the Reformed Government, and a source of livelihood or graft for a horde of the politically connected. Almost all of it comes from Dairen through Shanghai.

Open sale in shops acting for the "Opium Suppression Bureau" is the recognized method of distribution. One secondary city reports more than 300 such shops; they are to be counted by the score and even by the hundred in all cities. Besides the shops dealing only in opium, there are the hotels and the brothels licensed to supply opium; and a vast illegitimate trade, some of which even clusters around the main "legitimate" supply trunk in the "Suppression Bureau" itself. An officer of the tithing system, in charge of 133 families in a prominent city, confided to a friend his troubles in trying to deal with 65 addicts among those families: they insisted on getting their opium in the cheapest possible way, and he was required by the authorities to make them purchase from official shops, under threat of arrest. Heroin is very common, and is ineradicably linked in the mind of the people with the Special Service Department of the Army. Distribution is clandestine, and in some quarters is believed to have declined in favor of the more easily controlled opium. However, it is available along many city streets in tiny packet for as low as twenty-five Chinese cents; and the police courts are choked with robbery and extortion cases in which heroin is officially reported as the cause of offence (and of profitable fines).

III. PUBLIC FINANCE AND PUBLIC UTILITIES.

1. Revenue and Expenditures.

This topic must be covered pro forma, though the actual revenue and expenditures of public organs in the occupied areas are not substantial, and there are no authorized reports upon the subject. The Customs income is impounded in the Yokohama Specie Bank, and no withdrawals are known. There are casual reports in political and banking circles that certain sums have been let out to the puppet regimes at high interest, and also that certain advances have been made to Wang Ching-wei as "Preparatory expenses" on account of the unborn New Central Government. The merchandizing of opium is an indispensable reliance of the puppet treasuries, as has been admitted by high Japanese officials seeking to explain its continuance. The rolled tobacco tax, collected at the source in Shanghai, is a useful help. Little else is available for the Reformed Government, since general production and trade are at such a pitiful level. Many local administrations are just beginning, or attempting to begin, to collect the land tax. During the past year fragmentary reports indicated that not more than one or two per cent of the usual amount for Kiangsu and Anhwei was received from cultivated land in the Reformed Government's domain. A few cities have stamp duties, house taxes, and other petty income, including something of an petrol (which is, however, completely overshadowed by the many irregular b-vies in and on the border of no man's land).

Beyond the maintenance of sizable and inefficient personnel, at no princely salaries (whatever incomes might be), government does not have heavy expenditures. Schools are relatively few and cheaply run; roads and sanitary services likewise. Police units are not intended to take much responsibility, and they are correspondingly supported. There is no municipal burden in supplying utilities, as will be shown presently.

2. Banking and Currency.

Banking is a Japanese monopoly. Chinese private banks have not been allowed to re-open for business and have suffered terribly from deliberate destruction and confiscation of their property; while of course the Chinese government banks have been obliterated under the New Order of cooperation. Branches of Japanese banks serve their own communities where numbers justify their opening, and do a little business for Chinese who find it necessary to deal there. The Hua Hsing Bank (China Development Bank) is still a mystery. Its capital was announced as \$50,000,000 Chinese National Currency, split between the Reformed Government and a Japanese banking consortium; and the apparent intention was to raid the foreign exchange market. After the sharp drop in the exchange value of the Chinese dollar, the Hua Hsing Bank gayly announced the withdrawal of its pledge that its notes would always be interchangeable with Chinese national notes, and has maintained a carefully controlled level forty to twenty per cent above that of Chinese dollars. The whole matter is largely nominal thus far, since the Bank's note issue has commonly run about three millions only. That figure was reached by requiring that Customs payments and taxes should be collected on a Hua Hsing basis, and also by putting out some Hua Hsing notes as government salaries. But recently (October) most of such payments have actually been in Chinese dollars, calculated at the official rate in relation to Hua Hsing currency. Many or most persons in the chief cities of this area have never seen a Hua Hsing note. Military yen, with bayonets as security, are given in exchange for supplies and labor; and are maintained in value partly by compulsion and partly by the fact that yen and only yen are accepted by the railways and public utilities.

3. Public Utilities.

The railways were seized by the Army and are run by the Army. In general, goods can be carried only through Japanese merchants or the semi-official transportation and express companies. Foreign companies have repeatedly been refused the right to ship in their own names. (Incidentally, the British bondholders' interest in the Shanghai-Nanking Railway has been completely ignored, even to the point of denying the contractual right of inspection of the property). Japanese rolling stock has replaced in part the Chinese material which was almost entirely removed before the seizure. Details of tariffs and procedure are thoroughly Japanese, plus military complications. Services have been gradually developed from zero to a fraction (say one-fifth to two-fifths) of what they were before the war. Passenger fares are approximately doubled. Inland navigation is almost a Japanese monopoly, with slight toleration for petty Chinese boats under close control. River and canal services are a pathetic decimal of the old quantity and quality. No foreign ships are allowed above the Yangtze Estuary, though every Japanese service carries general merchandise. Total traffic remains small.

Roads are universally reported to have run down under military use and with little effort at improvement. There are a few exceptions of construction for military purposes. Most places report bus service to be incomplete in extent and inadequate in equipment, with traffic only a small fraction of that in pre-war days. Power plants and light service were frequently injured by bombing, and sometimes further damaged by the destructive Japanese soldiery upon entry. Nowhere is the restoration satisfactory. Plants were confiscated, whether ownership was private or municipal, and regardless of certain German mortgage claims for machinery supplied. Telephone systems suffered badly from attack and seizure, and generally speaking have not been restored for the Chinese community. There are widespread complaints of extortion on the part of the Central China Water and Light Company, including seizure of meters and baseless fees for reconnection.

IV. ECONOMIC POLICY AND ECONOMIC CONDITIONS.

1. Agriculture and Industry.

No policy is apparent other than that of immediate exploitation by people in a position to exploit. There is not even talk about development or improvement. For example, shipment of rice from interior points to Shanghai is forbidden except through official channels. Roughly speaking, the price of rice in up-river cities is kept at about half the Shanghai price; while rice in smaller communities is secured at much lower levels. Cotton and other agricultural products are similarly made the medium for exceedingly profitable experiments in control, at the expense of farmer and consuming public alike. The known aid to agriculture is limited to certain projects of silkworm eggs, a few seeds, and a few buffaloes. The communities reporting have seen none of these benefits, or so little as barely to cover the advertising of their merits. The farmers' difficulties in transportation, absence of credit organs, shortage of material for tools and buildings, and costly lack of medicines or of needed clothing, are all grievous. After the vicious destruction in the winter of 1937-1938, the means of proper recovery are largely denied. Life is close to a subsistence basis.

The few semi-industrial cities of this region lost part of their factories by bombing, another part by Chinese removals of machinery, and another part by Japanese malevolence after capture. Not one factory is known today to remain in Chinese hands. In most cases confiscation has been been outright; in some thinly veiled by low offers under actuality of occupation and threat of confiscation, or by enforced "partnership" with Chinese contributing the plant and Japanese the management and disposal of the profits. No new factory has been established. A number of textile mills and flour mills have been repaired and set going, usually on a restricted basis. Total output and employment would not reach a third of pre-war figures. It is believed that the iron mines near Wuhu, which formerly shipped their whole production direct to Japan, are providing a fraction of their old output. So far as is known, only small-scale mining of coal for local use is now practiced. One large cement works has built up its production to a respectable figure, still using German machinery bought on time by the pre-war owners. The German interests brought suit in the Chinese court in Shanghai in an effort to secure a lien on the products of their machinery now in Japanese hands, hoping thus by restricting the market to press the Japanese to a recognition of their claims.

2. Monopolies and Methods of Control.

The practical monopolies of transportation and of banking provide not only means of profit but also means of promoting favored Japanese interests and of handicapping or excluding other interests. They are drastically used. Even more pervasive is the requirement of permits for any important enterprise or transaction. Legal discrimination (if there were law in this region) would not be necessary. Permits are simply refused or delayed for months and years. Most of these matters are in the hands of the Special Service Department of the Army, or in those of the Military Police, who can hardly be expected to have broad and economic views of their authority. In various communities, monopolies in the wholesale business of many commodities are maintained by giving a permit to one Japanese concern only, or by giving to it transportation and supply facilities that are simply not available to others. With the exception of closely watched dealings in oil and tobacco, which for the time being the Japanese are not easily able to supply and to distribute themselves, foreign business has been completely barred. Even old-established German firms have been shut out.

3. Confiscations and Other Forms of Damage to Chinese Interests.

The total injury to Chinese economic interests is enormous, and is continuing in many forms. First came bombings and the fairly successful effort to drive away the ruling groups of society, including the leaders of banking and commerce, and the many governmental elements linked with economic enterprise in this region. Following upon the irregular removals and destruction by Chinese authorities for military reasons, came Japanese assaults upon the cities and towns, accompanied by the killing of large numbers of able-bodied men and a general increase in cripples. The Japanese troops looted thoroughly, including commercial and industrial property which was systematically removed. They also burned extensively, destroying considerable portions of all the cities, and many hundreds of smaller towns and villages.

But that was not enough. Confiscation, or less radical forms of forcible transfer and occupation, has put Chinese out of most of the good store properties that survived the fires in the larger cities, and has installed Japanese merchants. Army and Navy and other organizations have seized large properties for their use, demolishing buildings at pleasure. Not only the police and many official establishments, but the fresh hordes of Japanese civilians are enabled to claim residences from "enemy property". Everything belonging to people who held office in the old regime, of whatever rank, is considered to be automatically forfeit. In addition, properties vacated at the time of entry by the conquerors, and many other houses as desired, are taken from owners and their agents. Some of this seizure is covered under the name of rental, but it is rare to find that more than one month's rent has been paid - if that. Dispossession is done by the Special Service and the Military Police.

CONCLUSION

The total result of these processes here described is poverty and despair for all but a few privileged elements of the Chinese population. Reconstruction remains for the future. Nor do the present lines of exploitation suggest a sound development under Japanese rule. Vested interests are being established which cannot be shaken by idealistic press releases from Tokyo.