
Book Reviews

Britain and America cross swords over postwar policy toward China

by Michael O. Billington

Recasting the Imperial Far East: Britain and America in China, 1945-1950

by Lanxin Xiang

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The thesis of this extraordinary book is that the history of the period has been misrepresented such that, on the one hand, studies of Anglo-American relations generally gloss over the Far East, because "relations there jar the prevailing notion of a 'special relationship,'" while, on the other hand, studies of the Far East tend to focus on the U.S.-U.S.S.R. confrontation or the "Free World" vs. Communism, missing the determining aspect of the Anglo-American conflict.

Franklin D. Roosevelt's son Elliott, in his book *As He Saw It*, quoted the President telling Winston Churchill that the United States was not fighting World War II in order to reestablish the British Empire. Lanxin Xiang has provided extensive documentation of the facts behind both this commitment of FDR and his closest associates, as well as the colonial intentions of the British, covering the period between the last phase of World War II through the launching of the Korean War in 1950. Using official records and correspondence from London, Washington and China, Xiang's research illuminates the conflict between American System methods for the technological and industrial development of sovereign nation states, versus the colonial methods of the British, who try to keep nations weak and divided in order to control them. That conflict is still today the dominant influence on international policy in Asia, and the coverup of the 1945-50 Anglo-American divisions is continuing today in the western media, academia, and government think-tanks. Xiang has made a valuable contribution to rectifying that problem. This review will essentially reproduce Xiang's most salient points, with a few identified additions.

Xiang was raised and educated in China, graduating from

Fudan University in Shanghai; he did graduate work at Johns Hopkins in Baltimore, and was an Olin Fellow of Military and Strategic History at Yale University. He is working on two other books, one on the Boxer rebellion and one on Mao's generals. He now teaches at Clemson University.

The conflict, as he presents it, developed during the war in the form of a fight over the possibility of, or the need for, a "strong China." The U.S. policy, in keeping with Roosevelt's notion of the end of colonialism, was to provide western help to China both during and after the war, to continue the process of the 1930s, before the Japanese invasion, when China developed extensively and rapidly under the Kuomintang (KMT), the nationalist party founded by Sun Yat-sen and subsequently led by Chiang Kai-shek. The U.S. goal was a strong China, playing a leading role in the world. The British were dedicated to preventing such a development at all costs, while reasserting their colonial power and influence over a weak and divided China—a continuation of British policies from the previous century.

Xiang begins the story with FDR's appointment, toward the end of the war, of Maj. Gen. Patrick J. Hurley as his personal representative in China as well as U.S. ambassador to China. Hurley's purpose, as he described it, was to bring about the unification of China under the leadership of the KMT and Chiang Kai-shek, and to "keep an eye on European imperialism." His principal British counterpart in this task was Carton de Wiart, who was officially the liaison between Lord Mountbatten and Chiang, but, as Hurley said, actually ran "most of the widespread British intelligence system on China."

Roosevelt was explicit in his instructions. In March 1945, FDR sent Hurley to London and Moscow to get British and Soviet agreement on the strong China policy, and told him to raise the issue of British colonial policies, including Hong-kong. Hurley considered the Moscow trip successful, but called the London visit "hell-raising." Wrote Hurley:

"In the discussion with Churchill and Eden, questions pertaining to the reconquest of colonial and imperial territory with American men and lend-lease supplies and the question



Sun Yat-sen, the founder of the Kuomintang party and the father of the Chinese Republic in 1911. Sun's detailed proposal for the development of China's industrial and agricultural infrastructure stands today as the model for developing China into a modern industrial nation-state.

pertaining to Hongkong and other problems were interjected by the British. . . . Churchill flatly stated that he would fight for Hongkong to a finish. In fact he used the expression 'Hongkong will be eliminated from the British Empire only over my dead body!' . . . I then pointed out that if the British decline to observe the principles of the Atlantic Charter and continue to hold Hongkong, then Russia would possibly make demands in regard to areas in North China." Churchill's response was that Britain was not bound by the Atlantic Charter, and that the policy of a strong China was a "great American illusion."

Hurley was also uncompromising with the State Department and U.S. military staff who sided with the British. When a memo from the military attaché's office argued that many Chinese wanted Britain to retain Hongkong, and that the British were right in their doubts about the KMT, Hurley wrote to Secretary of State Edward Stettinius that the memo "sets forth British imperialist propaganda—and while the supporters of this propaganda may be entitled to their own views in the premises, I know of no reason why American officers serving in China should undertake to sponsor such

propaganda or to disseminate it within the American Government."

Hurley argued that Hongkong and Indochina were controversies which would affect "the future of democracy and imperialism in Asia." He advised President Truman in May 1945 to recall all lend-lease equipment and refuse any more credits or gifts from the United States until the British agreed to relinquish Hongkong and generally show more concern for democracy around the world. He told Truman that Roosevelt had told him two months earlier, just before his death, that, "if Churchill refused this [the return of Hongkong to China], he would go over Churchill's head in an appeal to the King and the parliament." Although Truman did not agree to Hurley's recommendation, he did hold up the loans needed by the British after the war for their own recovery as a lever to demand concessions on the colonial issues.

Hurley also told the Dutch ambassador in China, "If Britain and Holland thought that the U.S. was going to clear up the imperial mess for their imperialism in the Far East, they had better think again."

The British were not circumspect about their own designs, as Churchill's "dead body" statement attests. Of course, the Yalta deal, which secretly implied the division of China between a Russian Manchuria and a British-American south, while also dividing up the rest of the world, was a virtual British coup. Nonetheless, the British were not willing to let the United States dominate even a divided China. The Foreign Office in January 1945 instructed the Chungking Embassy to reassert British influence, with the following warning: "If America continues until the end of the war to exercise a virtual monopoly in China, the effect will be not only to weaken our own future position but also to detract from the U.N. conception which has caught the imagination of the Chinese." The head of the Far East Department, John C. Sterndale-Bennett, wrote that the British should have insisted back in 1942 that China was a special entity outside of the American sphere of influence.

As for Hurley, the British hated him almost as much as they hated Gen. Douglas MacArthur. Ambassador Lord Halifax denounced Hurley's support for Chiang and the KMT, and portrayed him as "a former Republican possessed of no little Irish political acumen, and a swashbuckling old calvaryman." Lord Balfour added his assessment of the American complaints: "Anti-British outbursts are, as a rule, the result of the propensity of Americans to oversimplify vexatious issues which are beyond their immediate ken. They need not, therefore, unduly disturb us."

British anti-development policy

The British were particularly upset that the United States was planning to bring real development to China, thus spoiling it forever as a source of loot for the Empire. Xiang says that they were "annoyed by numerous reports that America was embarking on a comprehensive plan for post-war eco-

conomic development.” The Chungking representative of Swire and Sons complained: “The aggressive American industrial salesmen in and out of uniform are having things very much their own way. They can talk about firm finance and early large-scale delivery. They seem to have an unlimited supply of technicians and planners unengrossed by the war to put at Chinese disposal.”

The United States was aware of the British intent to prevent development. A report by the U. S. Office of Strategic Services (OSS) from the summer of 1945 said: “Britain may desire to have China maintain an agricultural economy and the U.S. might seek to industrialize the country. Such rivalry would have the effect of retarding the political and economic development of China and of increasing the antagonisms among the Great Powers.”

A leading journalist for the *Daily Mail*, in an article called “Stars and Stripes over China,” published in October 1945, complained that an “anti-British psychology has not been discouraged by our American ally. U. S. propagandists have been working from Lanchow, gateway to Tibet, to the Gobi Desert of Mongolia. . . . A great plan to dam the Yangtze, known as the ‘Yangtze Valley Authority,’ will be one of the greatest engineering contracts of modern times. . . . Their geologists have plodded the old caravan trails to the fringes of Tibet and the wild western tribal countries.” Again, today, the British are desperate to stop the re-emergence of these two great projects—the Three Gorges Dam on the Yangtze and the “land bridges” to Europe, Central Asia, and Africa along the old Silk Routes—both of which have become live policy commitments among certain layers in the Beijing leadership.

The Far Eastern Committee, under British Labour Party Foreign Secretary Ernest Bevin’s direction, responded to the U. S. development policies with a secret memo in December 1945, entitled “British Foreign Policy in the Far East.” The memo reflected an hysteria about the United States which is similar to London’s current response to President Clinton’s foreign policy direction: “U.S. policy appears to be dominated by two partly conflicting considerations. These are (a) A drive for exports which has acquired a certain force of desperation from the feeling, which may or may not be well founded, that a vast export trade alone can exorcise the demon of unemployment at home. . . . (b) A strange neo-imperialism of a mystical irrational kind. This is an emotional reaction to the end of the war. There is a strong desire to bring back U. S. forces from Japan and elsewhere. . . . Nevertheless, America is conscious of special responsibilities to the world.”

Sir George Samson, British minister in Washington, reported to London that the United States considered China a “field of investment and enterprise which they will dominate and from which they hope, by sheer weight of financial and industrial strength, to expel British and other competition. . . . Some of them justify this sentiment by arguing that they

are not fighting to restore an effete British imperialism in Asia.”

British strategy to divide China

With this excuse, the British overtly pursued their wrecking operation against the development of China. While always playing all sides of every issue, their intent was civil war and a divided China, with the question of who ruled where, only a secondary consideration. De Wiart told London directly, “I am not really worried about civil war, which is after all usual here.” Leo Lamb, British minister in Nanking, told an associate of General Wedemeyer, “A study of Chinese history during the past century would indicate that we are perhaps merely returning to a normal situation in China and that comparative peace in the 1930s was abnormal.” He is correct that the British had successfully kept China in a state of civil war continuously, from the time of their military intervention with the Opium War in 1840, with the exception of the “Development Decade,” between 1927 and 1937, when China was united under Chiang Kai-shek’s leadership.

When the United States tried to establish commercial laws to facilitate modernization, foreign investment, etc., the British attempted to sabotage it. Xiang quotes a British business leader: “No great concern should be displayed or efforts made to assist the Chinese on the modernization of their laws, since, in any event, the amended or revised laws cannot in practice be enforced. . . . Let the law be as bad and unworkable as possible, and let us continue to do business by arrangements as we have always done.” The British didn’t need special laws for foreign companies, since they incorporated their businesses in the Crown Colony of Hongkong.

Again, the United States was aware of British intentions. An OSS report of February 1946 said: “A strong China *without* a democratic system of government would, in the British view, menace Britain’s future as a colonial power in the Far East . . . while even a strong *democratic* China may well serve as a force to outmode colonialism in the Far East.”

The United States was also confronted by British colonial aims in other Asian nations. The British tried desperately to treat Thailand as a defeated enemy, due to their “treaty” with Japan during the Japanese occupation. The United States intervened, recognizing the British attempt to colonize another Southeast Asian nation. The British did succeed in imposing a rice levy on Thailand, stealing rice to feed their other colonies. As in the case of China, an argument over a “strong” or a “weak” Thailand had been waged during the war, with Hurley even trying to set up a “free Thai” government in Chungking, China.

The United States was later to play a role in forcing the British to allow the independence of Burma. In Indochina, General de Wiart reported to London, “I believe that 75% of the trouble in Indo-China has been caused by the Americans who are violently anti-French in this part of the world, what-

ever they may be elsewhere.”

In late 1946, the head of the Far Eastern Committee, Esler Denning, one of the key directors of British Asia policy, made a revealing endorsement of a paper prepared by a British Council-sponsored professor named Robert Payne. Denning said that, while he disliked Payne's leftist position, he considered the recommendations “worthy of careful consideration.” Payne had written: “The Far East is one, the revolution sweeping over China, India, the Philippines, Malaya, Burma, and Siam is essentially the same in each country—a socialistic democratic revolution to which Great Britain has everything to offer and everything to gain, by using the movement. The time has come for us to take the lead.” The British wanted to run both sides of a “colonialism vs. national liberation” conflict, to assure British control over the weakened states left over from such civil strife, regardless of which side won.

Churchill's 'Iron Curtain' fraud

In March 1946, Churchill made his famous speech at Fulton, Missouri, declaring that an Iron Curtain existed between the Free World and the Communist world. Xiang reports that Churchill deliberately revised the history of the previous year's Yalta agreement, taking advantage of the fact that President Roosevelt, the American signator, was dead. Churchill “implied that he and Roosevelt were tricked by Stalin” on the Far East. The world was bipolar, he insisted, and the Soviet Union must be viewed as the greatest danger in Asia, as it was worldwide. While this launched the Cold War, and the anti-communist hysteria in the West, it furthered the British policy of setting up the Communist Party of China as the lesser of two evils in comparison to Moscow. The more the United States antagonized the CPC, it was argued, the more China would be thrust into the arms of the Soviets.

The newly appointed head of the British Foreign Office's China Department, George Kitson, wrote a secret paper at the same time as the Fulton speech, which would qualify him for the title of “Comrade” Kitson: “The Communists derive their power and support from the people, mainly the peasants, to whom the Communist doctrines and political platform have been specially designed to appeal. The Kuomintang derive theirs from the landlords and rich merchants—whom they brought in power and to whom are allied at present the army (most of whose leaders are themselves big landowners) and the labor unions in the big cities, under the control of racketeers loyal to the party and Chiang Kai-shek.” Kitson argued that the CPC were not really Communists, but agrarian reformers who should be regarded as “not incompatible with social democracy.” He also claimed that “there has in the past been no proof of any direct connection between Moscow and Yenan or any indication that Yenan takes its orders from or is guided in its policy by Moscow.”

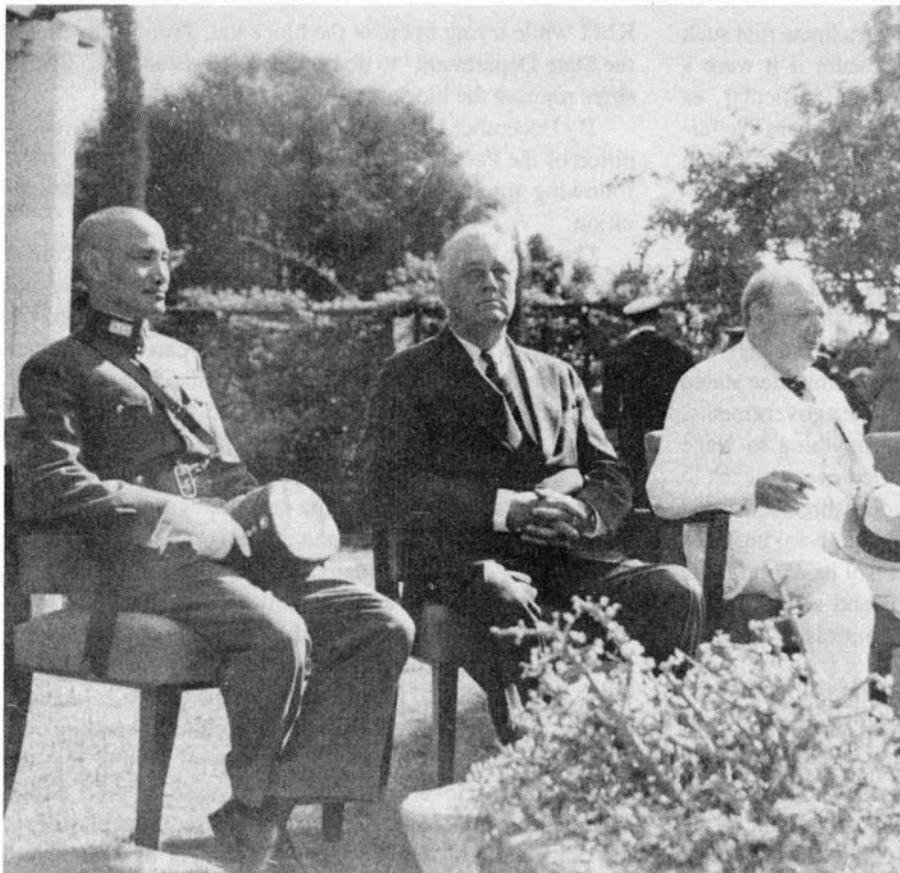
The United States had by this time partially accommo-

dated itself to British policy, and was trying to mediate a deal between the KMT and the CPC, hoping at least to preserve a united China. But the British even opposed this. When the United States proposed a joint policy statement calling for “a unified and democratic China under the National government and for the broad participation therein of democratic elements,” the British insisted that such support for the Nanking government was “interference in the internal affairs of China,” something the British would never dream of doing.

By December 1946 the British had struck their deal with the CPC. Col. Gordon Harmon, a British intelligence officer, had a series of secret meetings with Mao and others at Yenan, and reported to London that Mao had assured him that the Communists “were not interested in Hongkong.” Malcolm MacDonald, the son of Ramsey MacDonald, was appointed as “commissioner general-Southeast Asia,” stationed in Singapore. MacDonald was to become one of Chou En-lai's most trusted friends, according to Chou's biographer Han Suyin.

One British option was for a divided China, with the CPC running the north and the KMT the south. Even during Hurley's days, the British supported U.S.-sponsored negotiations between the two sides, with the intent of formalizing a division, rather than a coalition government. After Hurley arranged talks between Chiang and Mao in late 1945, the Foreign Office reported that “evidently North China is to be a Communist enclave. We seem to be getting very near a Communist North and a KMT Center and South China.” This was viewed as favorable to British interests. By March 1947, with the “balance of power” in full throttle, the British Embassy in Nanking would telegram London: “In all circumstances it seems to us that the best that we can hope for both from the point of view of the Chinese people and of our own interests, is to secure in China the same kind of balance between the Communists and non-Communists that we hope to maintain in the rest of the world, i.e., an armed peace if nothing better can be achieved with neither side in the ascendant.” In 1948, Denning informed British merchants that if they could “contrive to trade with Communist China, we [would] at any rate not discourage them from doing so.” The political adviser to the Hongkong government, C.B.B. Heathcote-Smith, who was in regular secret contact with the CPC representatives in Hongkong, told London that the CPC had informed him that British business was welcome in the liberated areas. In late 1948, when the Red Army was sweeping south, the American businessmen were generally exiting in a panic, while the British stayed in place.

However, the British were loathe to grant even half of China to the KMT, which they had spent 40 years trying to destroy. Still, a divided China was preferable to a united China under their friends in the CPC. Therefore, an alternative was proposed based on the sponsorship of a warlord named Gen. Li Chi-shen, the former leader of the anti-KMT faction called the Kwangsi Clique, who was now under Brit-



Left to right: Generalissimo Chiang Kai-shek, President Franklin D. Roosevelt, and Prime Minister Winston Churchill at a wartime conference in Egypt. Chiang was the successor to Sun Yat-sen as head of the Kuomintang. He led the military and diplomatic unification of China in 1927, from the chaos of the British-supported partitioning of China under local warlords. The decade between 1927 and the Japanese invasion in 1937 witnessed dramatic growth and development under Chiang's leadership. After the horror of the Japanese occupation and the civil war with the Communists, Chiang led the Kuomintang in exile on Taiwan in implementing the policies of Sun Yat-sen, transforming Taiwan into a modern industrial economy.

ish protection in Hongkong. The American consul in Shanghai, Monnet Davis, reported to Washington in May 1947: "At a dinner given for Tu Yueh-sheng [known as Big Eared Tu, the secret society leader in Shanghai who worked with Chiang Kai-shek, a relationship the British used to accuse Chiang of gangsterism], who returned recently from Hongkong, a business associate of his stated that an understanding has been reached between British Hongkong and General Li Chi-shen for mutual political and military assistance. The reported arrangement apparently anticipates the possible collapse of the National Government in which case the Kwangsi Clique would hope to dominate Southern China."

Chiang Kai-shek issued a protest to the British for harboring Li in Hongkong. General Wedemeyer, on a fact-finding mission in August, confirmed that the British were lending moral and material support to the separatist movement. The directors of the Hongkong and Shanghai Bank, the central bank of Hongkong and the headquarters of British operations in Asia, were involved in both the CPC contacts and the separatist movement. Xiang quotes one Hongkong and Shanghai Bank director in June 1947 saying that "the Soong regime [meaning Chiang Kai-shek's government] was becoming ever more unpopular and that it would cause him no surprise to hear of the secession of Kwangtung-Kwangsi." By March 1948, U.S. Ambassador Stuart turned against

Chiang and voiced support to the British agent Li, but Secretary of State Marshall ordered him to cease and desist.

The British even wrote a 1947 version of what today is known as the "Segal Plan," after Gerald Segal, an official at the London-based International Institute for Strategic Studies (IISS), whose 1994 policy to divide China into competing north-south blocs has earned him the revocation of his visa by Beijing authorities. The 1947 version referred back to a turn-of-the-century book by Lord Charles Beresford, *The Breaking Up of the Chinese Empire*. The 1947 plan, contained in a War Department secret memo called, "Will China Disintegrate?" said that 1) Manchuria would become a Russian puppet state; 2) Northeast China down to the Yellow River would be under the CPC; 3) South China and the western provinces would establish their independence under provincial warlords; 4) Formosa would be independent; and 5) the Chinese government would probably try to expand by taking territory on the southwest border of Central Asia.

Open conflict

The Anglo-American conflict became more overt in 1948, when the United States called for a trade embargo against CPC-controlled territory, with the intention of forcing certain concessions in regard to upholding existing treaties. (The "unequal treaties" of the colonial era had been

rescinded during the war.) The United States knew that such a strategy could only bring effective pressure if it were a concerted action of the Atlantic Powers. In particular, as emphasized at a joint State/Commerce Department conference, it was "imperative to reach agreement with the British on similar policies, not only to prevent the British from replacing U.S. business in China, but also to control transshipment through Hongkong."

The British totally rejected this appeal, and in fact took advantage of the U.S. position to reestablish the influence in China that they had lost to the Americans during the war. The British Interdepartmental Far Eastern Committee stated unequivocally, "We should discourage other governments, particularly the Americans, from doing anything to wage economic warfare." The United States tried every means to bring the British into the embargo, including threats. Walton Butterworth, the State Department official in Nanking, told the British, "If Hongkong could not control its exports, the United States would have to treat the island as part of the China area in applying U.S. export controls." This, of course, did not materialize.

In the meantime, the British were continuing their secret channels to the CPC through Hongkong. In March 1949, the Ministerial Committee of China and Southeast Asia, chaired by Prime Minister Clement Attlee, decided to accept the CPC proposal that the Hongkong and Shanghai Bank be the official foreign exchange agent in North China, an agreement obviously arranged earlier in Hongkong. No U.S. bank was extended a similar invitation.

Also, to counter the U.S. effort to bring together a "united front" of other nations to pressure the British, London formed its own "united front" among the compliant Commonwealth nations. They also made known their intentions of officially recognizing Communist China, defying the U.S. attempt to stall recognition as a means of pressure. Butterworth told the British that it was "possible that denunciation of the treaties [by the CPC] might include denunciation of those respecting Hongkong." But, in fact, Butterworth knew that the British had already struck a secret deal with the CPC, which included the continuity of British Hongkong. Butterworth wrote that he suspected that "the British had had . . . preliminary conversations with Chinese Communist authorities either in Hongkong or in Shanghai through intermediaries such as John Keswick of Jardine Matheson [which would] provide some common ground and make the British approach to the question of recognition seem less of a 'bolt out of the blue.'" When Bevin later told Secretary of State Dean Acheson that the British "intended to stand firm [on Hongkong], making it, if necessary, a sort of 'Berlin of the East,'" it must have been recognized as pure posturing.

In June 1949, the KMT, now based in Taiwan, began a blockade of the important port cities along the mainland coast, clearly with tacit U.S. approval. The British chose to ignore it, and one of their ships was even bombed by the

KMT while trying to break the blockade. Truman instructed the State Department "to do nothing of assistance" to British ships running the blockade.

By December 1949, Truman made official the non-recognition of the People's Republic of China, and Britain, in the following month, announced its intention to grant recognition.

Over the next six months, leading into the North Korean invasion of South Korea in June 1950, the United States and Britain continued arguing over the defense of Taiwan. On June 27, two days after the start of the Korean War, Truman linked the defense of South Korea with the defense of Taiwan, and moved the Seventh Fleet into the Taiwan Strait. Truman even considered "taking Formosa back as part of Japan and putting it under MacArthur's command." The British were enraged that the China question was thrust into the Korean conflict by the Truman administration. Bevin even argued that, although "many powers" would be unhappy about a Red Army invasion of Taiwan, nonetheless, "some undoubtedly feel that now that the Central People's Government are in control of all Chinese territory, it would not be justifiable, in view of the pledge under the Cairo declaration, to take steps which might prejudice the ultimate handing over of the territory to China. . . . In general I think that the United States Government would be wise in their public statements to concentrate on the Korean issue and play down the other parts of the President's statement of 27th June." Acheson rejected the British complaint and, according to Xiang, "reminded Bevin of the British appeasement in the 1930s and said he hoped he would not see it again."

The conflict then moved to the question of whether or not MacArthur would cross the 38th Parallel in Korea, with the British demanding that he be reined in. Xiang ends his book with a report on a secret mission by the head of the British Foreign Office's Far East Committee and ambassador to Communist China designate, Maberly Esler Dening, who had earlier endorsed the idea of British support for all the revolutions in Asia. Dening went to Hongkong (and nearly to Beijing) under total secrecy to meet with the CPC leadership, intending to inform the CPC that MacArthur was out of control. Dening told an associate that he wanted to "encourage the Chinese to vent their grievances . . . and try to convince them that their suspicions are unfounded [that the West was planning to invade China] and that a measure of good will on their part is likely to find a response in the rest of the non-communist world." However, it must be questioned whether the actual message may well have been British approval for Chinese entry into the war if MacArthur crossed the 38th Parallel. Although Xiang argues that Dening's trip was ineffective, due to the fact that he was unable to get permission to travel from Hongkong to Beijing, we have seen that Britain regularly dealt with top representatives of the CPC directly in Hongkong. Within days, Chinese troops crossed into North Korea.