Sir:-

I have the honour to report that I have had another long conversation with Mr. Foo Pin Ting, the Chinese Ambassador, on whom I called on May 29th. As usual I found the conversation with him to be most stimulating and full of interest. At the risk of repeating what I have set forth in previous despatches and telegrams, I shall outline in this despatch a summary of my conversation with Mr. Foo.

2. I found the Chinese Ambassador to be most depressed. He viewed with anxiety the apparent inability of the three largest powers to cooperate as wholeheartedly with one another as the interests of future world peace and stability required. China more than any other country depended upon such effective cooperation. If we were to go back to the game of power politics and spheres of influence the Soviet Union would be bound to seek to strengthening of its influence on certain elements and districts in China, such as the Communists, Sinkiang and Outer Mongolia. The Soviet Government would know that the Chinese Government would be leaning on the Anglo-American powers for economic and financial assistance and they would endeavour to offset this by fostering influences of their own within China. Hence the key to China's position as a unified state and as a world power lies in Anglo-American-Soviet cooperation to maintain the peace and stability of the world after the war.

3. Mr. Foo placed great hope on the influence which Canada may exert on United Kingdom policy. This was the reason why he had been so impressed and pleased when the Canadian Prime Minister had delivered such a statesmanlike address before the United Kingdom Houses of Parliament. He had felt that the United Kingdom had a great opportunity for leadership if she would abandon power politics and assume the moral leadership to which her past history and position as a world power entitled her. This leadership would have to be directed towards cooperation and collective security and away from power politics and spheres of influence at which game the cards would be apt to be stacked against the United Kingdom. Unfortunately he detected a tendency among the United Kingdom leaders to favour the latter rather than the former role and he had been disappointed at the recent speeches of Mr. Churchill and Mr. Eden with their negative stressing of the difficulties of getting along with the Soviet Union rather than a positive exposition of the case for cooperation. On the other hand he had been pleased with the recent utterances of Mr. Hull and the general position of the United States Government. He appreciated that of the three great powers the United Kingdom had by far the most difficult role to play.

4. I asked Mr. Foo if he had detected any change in recent months in the attitude of the Soviet Government towards China and he replied that up to the Moscow Conference this attitude had been on the whole satisfactory but recently there had been signs of the Soviet Government taking a renewed interest in Chinese affairs, which signified an effort to reestablish their influence among certain...
5. He then gave me a long review of the relations of the Chinese Central Government towards the Communists. He commenced by stating it had been a miracle that Chiang Kai-Shek had been able to establish unity in China. The influence of the Kuomintang had been based on the coastal provinces of China and when these were lost it was a risky procedure to transfer the capital inland and attempt to develop new bases of power and influence for the party. This had necessitated prolonged negotiations with the war-lord of Szechwan, who finally agreed not only to permit the Government to establish itself at Chungking but also to send half his army to the front, which under the conditions prevailing in China was a remarkable example of self-sacrifice to the common cause.

6. This man and others who had given their support to the Generalissimo were landlords and this fact must not be overlooked when the Government was criticized for failure to introduce immediately measures of agrarian reform. Mr. Foo then explained to me that the rent paid by the peasants often in reality was less than it seemed on the surface. For instance in South China the rent was computed on a percentage of the first crop and the tenant could retain all of the proceeds of the second crop. In Szechwan rent was paid only for the level land but tenants frequently cultivated hillsides adjoining their plots for which they paid no rent. He mentioned these circumstances not to defend the Chinese system of land tenure but to point out that the rents were not as burdensome as Western observers often claimed.

7. The Communist solution of the agrarian question was nationalization of the land, but where this had been put into effect in Shensi the result had been worse for the peasant farmers because the taxes had so increased that they amounted often to a larger proportion of the crop than the previous rent. The Central Government had a policy for the agrarian question and this had been gradually to increase the land tax until the landlords would no longer derive profit from the ownership of their lands and would then agree to its distribution among the tenants. Since Mr. Foo was so obviously uncomfortable in his defence of the agrarian policy of the Chinese Government, I refrained from asking if the progressive increases in the land tax would not lead to progressive increases in rent.

8. With this background of the situation Mr. Foo explained that at the time the Government moved to Chungking and the whole future of Chinese unity was uncertain, the Communists had an army of only 15,000 men and could easily have been crushed. The Generalissimo, however, preferred not to jeopardize national unity any further and entered into negotiations with the Communists. This resulted in their being given control of part of Shensi and being allowed to maintain an army of 45,000 men. They were obliged, however, to defend a certain part of the front. This obligation, Mr. Foo claims, they did not fulfill. Instead they announced their preference for guerrilla activities, but these consisted of withdrawing in face of a Japanese advance and advancing again only as the Japanese withdrew. When about 1940 a Chinese general in command of a force of 200,000 men suffered a severe defeat at the hands of superior Japanese forces, the Communists attacked the remnants, murdered the senior officers and persuaded the men to join their army. It was in this manner that the Communists succeeded in increasing their forces until now they have an army of between 200,000 and 300,000 men. These tactics infuriated the higher officers of the Chinese Army who have been preaching retaliation, but the Generalissimo has favoured the policy of patience and now negotiations are taking place with a view to having the Communists implement the agreement reached some years ago.

9. In reply to my question Mr. Foo said that the Soviet Government have all along maintained some sort of contact with the Communists....
Communists. Before the dissolution of the Comintern this took the form of bringing Chinese communists to Moscow for instruction and then sending them back. For a brief period the Chinese Government permitted the Soviet Government to send aeroplanes to Chungking with supplies for their Embassy, but when it was found that these planes were being used to bring Communists to and from Moscow by way of Outer Mongolia, the Generalissimo decided to withdraw this privilege. Now Mr. Foe believes that there is a certain movement of Chinese communists to and from Moscow by way of Outer Mongolia, but they have no precise information on this point. Generally the attitude of the Soviet Government towards the Communists in China has varied with the changes in the international situation. Soviet leaders at first clearly recognized the importance to them of forestalling Japanese aims to conquer China, then they were preoccupied with the German attack on the Soviet Union, but lately as the war with Germany has seemed to them to be four-fifths over they have given renewed signs of taking an interest in Chinese affairs. If there is a general reversal to the game of power politics, Mr. Foe stated, it will not be to the interest of the Soviet Union to see China too strong or united.

10. From this we went on to discuss the recent incident near the border of Outer Mongolia and Sinkiang and Mr. Foe repeated in somewhat more detail the account of the incident which I gave you in paragraph 3 of my telegram No. 115 of April 8th. It would appear that the Sinkiang authorities were attempting to round up some Kazakh brigades when a Soviet plane attacked the Chinese detachments within Sinkiang some 75 kilometres from the frontier of Outer Mongolia. The Chinese Government protested but had received no reply, when some fifteen days later the Soviet newspapers published the Text telegram from Ulan-Jator mentioning that Kazakh families from the Altai District, resisting forcible evacuation to the Mongolian Republic, had fled into the Mongolian Republic whence they were pursued by Chinese troops and Chinese aeroplanes. The message concluded by stating that Mongolian government circles are convinced that if further similar infringements of the frontier occur the Soviet Government will be forced to help the Mongolian Republic in accordance with the Mutual Aid Treaty of March 12, 1936. Mr. Foe pointed out how ridiculous it was to think that China could spare an aeroplane for such a purpose or that under present circumstances China would take any action that would be likely to disturb the peace or prejudice friendly relations with the Soviet Union.

11. I asked Mr. Foe if there was anything new regarding the Sinkiang overland route, but he replied that nothing further had transpired since we last discussed the subject and that since his last interview with Mr. Nikoyan, People's Commissar of Foreign Trade, he had given up hope of any progress being made with the opening up of the route until there was a change in the Soviet attitude towards Japan. I tried to draw out Mr. Foe on the general question of the likelihood of the Soviet Union entering the war against Japan but he appeared reluctant to talk about the subject, no doubt, considering that we had fully covered the question on previous occasions when I had talked with him.

12. Before I took leave of him the Chinese Ambassador referred to one factor in Sino-Soviet relations of which I had previously not been aware. He said that each year negotiations have to take place in Chungking regarding the quantities of silk, wool and other products China has to send to the Soviet Union for payment of military supplies obtained some years ago. It appears that the original contract called for computation on the basis of New York prices, but this was at a time when China was able to export these products through Hong Kong. Now transport has to be arranged from occupied China through the Japanese lines, to Chungking and from thence to the Soviet Union at enormous cost to the Chinese Government.

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For some products, such as wool, New York prices have not risen owing to adequate supplies, but in China itself prices are very high on account of the shortages. In spite of these circumstances the Soviet Commercial Attache at Chungking turns a deaf ear to Chinese protests and insists on the letter of the contract, while Mr. Foo himself has heard complaints in Moscow about Chinese failure to live up to their agreement. He has retorted that the Soviet Government are seeking to impoverish China at a time when she is fighting for her life and helping the Soviet Union by checking the expansion of Japan.

I have the honour to be,

Sir,

Your obedient servant,

(Signed) L. D. Wilgress.

ldw/p
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