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RESTRICTED
O.I.D. 66886

No. 2110

Chungking, China, February 2, 1944.

SUBJECT: Report on Conditions in Canton submitted by Mr. Charles C. Wong, formerly employed at the Consulate General at Canton.

APR 17 RECD

The Honorable
The Secretary of State,
Washington.

Sir:

1/- I have the honor to enclose a copy of a report in regard to conditions in Canton submitted by Mr. Charles C. Wong, who was employed as a stenographer at the Consulate General at Canton for more than 14 years and who arrived at Chungking on December 2, 1943, for service with the Embassy. While Mr. Wong describes conditions in Canton only up to the time of his departure on August 24, 1943, he had opportunity while at Kweilin, Kwangsi Province, to check his information with a Chinese who left Canton in November, 1943, and is of the opinion that conditions, although steadily deteriorating especially in regard to food shortages, unemployment and general distress of the Chinese population, are still substantially as described in his report.

Summary: The Canton puppet officials are considered to be the most unscrupulous and vicious in south China. The morale of the 5,000 puppet police and of the puppet soldiers is disintegrating. Chinese employees in governmental offices openly criticize the Japanese and are pro-Allied. Chinese reaction to American air raids has been favorable and enthusiastic. The Japanese have spared no efforts to develop the Tien Ho airfield. Chinese speculators have become active as the war shows signs of turning in favor of the United Nations. The masses of Chinese suffer acutely from undernourishment with deaths in Canton from starvation before the end of August, 1943, exceeding 1,000 daily. Opium, gambling and prostitution are flourishing. End of summary.

Respectfully yours,

C. E. Gauss

Enclosure:
1/ Report, as stated above.

Original and hectograph copy to Department.
Copy to Colonel Dickey, G-2, U.S. Army Headquarters, Chungking.
Copy to FEA, Chungking.

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ENCLOSURE NO. 1 TO DISPATCH NO. 2110 DATED FEBRUARY 2, 1944 FROM AMERICAN EMBASSY, CHUNGKING, TO DEPARTMENT OF STATE, WASHINGTON.

CONDITIONS AT CANTON PRIOR TO AUGUST 24, 1943

Political and Military

Puppet Officials: The Canton puppet government is run by Wang Ching-wei or rather by his wife, Chen Pik-kwun, and her relatives and intimate friends. People in the street call the regime the "Wang and Chen Empire". Wang's wife stays in Canton most of the time to look after her personal interests and receives bribes from those who aspire to high and lucrative positions. She has things her own way in defiance of her husband's orders.

The higher puppet officials attempt to obtain funds by "squeeze" and more than ten of these officials have become millionaires after one term of office. They ask: "Is it better to gain fame or to make money in this troubled world?" By cooperating with the enemy they know that no fame can be realized and that if they do not make money now they will probably have no chance to do so at a later date because of their uncertain position--uncertain because they know that the days of the Japanese are numbered. Corruption is rife and the Canton puppet officials are considered to be the most unscrupulous and vicious in south China.

These officials dream sweet dreams and hope for the best for themselves at all times. They console themselves by believing that Wang Ching-wei and Chiang Kai-shek are cooperating with each other, the first having the welfare of the people at heart and the second saving the nation. They even go so far as to think that Wang and Chiang are playing both ends against the middle at the expense of their respective allies and that both Japan and the United Nations are backing the wrong horse.

The most significant civilian head of the Kwangtung puppet government is Chen Yao-tso (陳耀祖), chairman of the provincial government. The finance director is Wang Tsung-tsun (汪宗準), a nephew of Wang Ching-wei, who maintains three families and three sets of children. These two puppets work closely together to divide the revenues and to allocate a share to Wang's wife who is reportedly becoming more and more greedy. They have held their present positions since shortly after the abolition of the Preservation Council (維持會) and the establishment of the provincial government and they naturally have the backing of Wang Ching-wei and his wife.

The most influential Chinese military puppet in Canton is General Lee Fu-kwan (李福寬), a former bandit chief. Although he has turned over active command of the troops to another Chinese puppet, his subordinates occupy all lucrative posts in the garrison command. Sakiu (沙口), approximately 22 miles southeast of Canton and the most important business center in Kwangtung Province since the fall of Canton in 1938, is under his control. Most of his troops numbering about 10,000 are stationed at Sakiu and nearby points. General Lee permits gambling at Sakiu and the tax derived therefrom is said to be sufficient to support at least half of his troops. This former

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bandit has become interested in many businesses, including a sugar mill at Szkiu and another at Yungki, about 25 miles southeast of Canton, and the Fook Nan Tong Opium Syndicate, which monopolizes the opium traffic in Canton. He has also bought up more than 100 acres of rice fields from peasants in Szkiu at very low prices under threat of confiscation and has hoarded large quantities of rice and other foodstuffs. He smokes opium during the greater part of the day and night and his consumption is said to exceed one tael every 24 hours. It is rumored that he has accumulated more than one billion dollars in Chinese national currency (fapi) which he is said to keep in steel oil drums for safekeeping. General Lee has become the object of public censure because Chinese in Canton hold him responsible for the shortage of rice owing to his hoarding activities. Several unsuccessful attempts were made to kill him during 1943. In order to divert the people's hatred he has recently established a few charitable schools with private funds.

Puppet River Defense Force: In view of the fact that the puppet river defense force is backed by the Japanese, the headquarters thereof take no orders from Chen Yao-tso, chairman of the Kwangtung Provincial Government, although the force is under nominal control of the provincial government. It has a strength of about 1,000 men and most of them are marines. Their equipment was purchased from the Japanese and is considered to be quite up-to-date. About a year ago the river defense force had only a few patrol launches but the Japanese have since donated one or two obsolete mosquito gunboats to it.

Police: The police in Canton has a strength of more than 5,000, including 80 percent men and 20 percent women. Only officers who can afford to buy a revolver with personal funds are armed. Aside from those on sentry duty, who are armed with rifles and bayonets the only weapon commonly carried by policemen is a baton about 2½ feet long. The police bear grudges against the marines of the river defense force and they often quarrel and come to blows in the streets. It is said that the police are envious of the better pay given to the marines and their better uniforms.

As the policemen are very much underpaid, drawing only about CN 30 a month, they resort to "squeezing" hawkers on a large scale. From time to time one hears about a policeman committing suicide after enjoying a good meal in a restaurant because he is unable to pay the bill. What is true of the police is also true of the puppet soldiers. Their morale is rapidly disintegrating.

Morale of Puppet Employees: Most of the Chinese employees in various governmental organs are working only for their "bowl of rice". Even those who work for the Japanese are loyal to their mother country with the exception of a very few who profit from favors accorded them by their Japanese masters. These employees do very little work and are often seen taking a nap. When asked why they work half-heartedly, they say, "Our pay is not enough to enable us to feed ourselves and our families". Their income is comparatively low and their chances of making money on the outside to make ends meet are remote. The majority of these workers are

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undernourished as may be seen by their faces. The first grade of government employees receive MY200 a month, second grade employees from MY100 to MY150 and the third grade from MY50 to MY100. Their periodic appeals for better treatment are rejected. These employees place their hope in an early return to the old days. They discuss politics, talk about the war news and criticize the Japanese in their offices. They are happy when they hear news that is favorable for the United Nations and attempt to buy Chinese newspapers smuggled in from Macao. (All Macao papers are banned because of their pro-Chinese attitude). These employees are anxious to leave Canton but they cannot find means for transportation to free China. This desire is prompted more by pure patriotism than by their own sorrowful plight.

Japanese Attitude Toward Chinese: With the exception of the few Japanese who need Chinese cooperation in order to advance their businesses or to squeeze the people, the Japanese as a whole are anti-Chinese and regard the Chinese as slaves or inferior beings. Japanese soldiers occasionally slap Chinese in the face or assault them by jujitsu methods in public streets. If a Chinese is suspected to be involved in matters detrimental to Japanese prestige or interests, he is taken to gendarmerie headquarters. In cases of minor offenses he is detained without trial in a cell for a number of days and during his detention is given only one bowl of rice mixed with salt or sand a day. The object of detaining him is to get money for his early release. His relatives are allowed to visit him in order that he may arrange to have them raise the necessary funds. But in the case of offenses deemed by the Japanese to be serious, the prisoner is subjected to torture and manhandling. Members of his family are brought in for questioning or share his fate. High Chinese officials are often humiliated openly and deliberately and when grievances are reported to the higher Japanese authorities the victims receive only a "so sorry" statement or some sort of apology. Now and then women are searched and this practice causes them to have great hatred for the Japanese. When Japanese soldiers are under the influence of liquor, Chinese in the streets take refuge for often the drunkards pull out their swords and chase people in the streets.

Chinese Attitude Toward the Japanese: The Chinese hate the Japanese more than they fear them. The Chinese hate the Japanese for their barbarous acts and fear their cruelty. When they see the Japanese strike one of their countrymen in the streets, they are filled with anger which they are forced to conceal. The Chinese sympathize with the victim and curse the Japanese in their thoughts. Even a boy of six or an ignorant woman knows how to hate the Japanese. The general impression prevails that the Japanese have blundered by not knowing how to win the respect of the Chinese. The Chinese are fatalists and feel satisfied if they are not oppressed too much. Had the Japanese taken a different attitude toward the Chinese at the start, more Chinese would have come to their aid and the war of resistance would be more difficult. Even though the Japanese change their attitude toward the Chinese now, the Cantonese would continue to hate them for their hatred of the enemy is deep-rooted.

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Chinese Reaction to American Air Raids: After more than three years of Japanese rule the populace of Canton was deeply moved when the first American air raids occurred in the early part of 1943. They are by no means panicky when bombings take place and they do not care if they are killed. They would rather die a quick death than suffer indefinitely. Thus they welcome the American planes and are despondent if they see any American planes shot down in air combats or as a result of anti-aircraft fire. Chinese who are wounded never complain while being carried to hospitals and if any of their family members are killed they take a philosophical view and say that their fate was predetermined. When they go home and find their homes devastated by bombing, they sadly turn away without showing any signs of anger. On the whole, the morale of the Chinese population of Canton is good.

On the other hand, the puppet officials and agents of the Japanese are panic-stricken when bombingstake place and they rush to shelters. The puppets have mixed feelings about the air raids, they being fearful either for their lives or for their property and money.

The Japanese as a whole are very much scared by the American air raids and they rush about looking for places of safety. Their morale is definitely running low.

Construction Activities: No road construction or repair has been undertaken since the outbreak of the Pacific War. Many blocks of damaged houses in the western and northern parts of Canton were pulled down by the Chinese and rebuilt for business and residential purposes. Most of the buildings on the Bund and in the business centers of the city were reopened for business after being repaired and painted.

The Japanese are sparing no efforts to develop the Tien Ho airfield, about five miles north of Canton. More than 500 persons are taken there by trucks from the city every morning. These workers state that under Japanese supervision they are building additional runways and dumps for storing gasoline and explosives and digging trenches and dugouts. These laborers work from morning to dusk and their wages range from M¥0.50 to M¥1.00 a day.

In Canton dugouts were built in large numbers by the puppet government and also by Chinese citizens. Spaces between stone or brick pillars supporting verandahs were walled up in certain places in busy streets with stones and bricks. Baskets containing dry mud and refuse were piled up on street corners. Sandbags were placed at the entrances of residences of puppet officials or well-to-do Chinese. Most of the high-ranking officials built dugouts in their own compounds. The brick and stone walls erected in front of shops were built with personal funds and the shelters at the street intersections were built jointly by nearby shopkeepers. The government provided the baskets used to contain mud and refuse. The construction of dugouts is proceeding with great zest.

Public Utilities and Fuels

Electricity Supply: Because of the shortage of coal and the increased price thereof, the electric power company revised its

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rate for electricity at the beginning of July, 1943, adding 30% to the original charge of MY0.30 per meter of current. Those who exceed the limit allowed, usually 10 meters of current a month for an ordinary household, are required to pay 15% or more as a fine, additional to the regular charge. Some people try to obtain electricity by tapping the street wires in order to save fuel for cooking meals and boiling water.

Telephone Service: Before July 1, 1943, the Telephone Administration charged a rental fee of MY8.00 a month. Since then the charge has been made in accordance with the number of calls, at the rate of CN$3.00 per call. No new telephone apparatus is furnished to applicants owing to the shortage of equipment. Applicants in urgent need of a telephone are required to buy one on the black market, with prices ranging from MY1,000 and up.

Water Supply: Charges for water supply have been increased slightly since July 1, 1943. Those who fail to call at the Water Administration office to settle accounts before expiration of the five day period of grace are liable to a fine of MY0.50. Although the fine is negligible, repeated failure to settle accounts on time may result in the water supply being cut off.

Charcoal and Other Fuels: Charcoal was sold late in August, 1943, at approximately MY30.00 per picul and firewood at MY35.00 per picul. The poor cook their meals by burning anything they can lay their hands on. Woodcutters from the rural areas carrying firewood into the city are frequently intercepted by Japanese soldiers who seize their wood and pay a few military yen per picul.

Economic Affairs

Commodity Prices: Prices for imported commodities in Canton during the first seven months of 1943 advanced steadily but toward the end of August they declined somewhat owing to unfavorable news for the Axis. Although the Chinese in Canton are isolated, they pick up news regarding the progress of the world war on all fronts from those who are bold enough to operate short-wave receiving sets and from friends who visit Canton from free China. Hoarders of imported goods tend to sell stocks at reduced prices whenever they hear of German or Japanese reverses.

Prices for foodstuffs advanced daily during the first eight months of 1943 and this tendency was not affected or halted by receipt of news unfavorable for the Axis.

Income of Government Employees: Most of the governmental organs in Canton were short of funds and the employees were forced to take a 10% cut in income. The salaries of many of them in August, 1943, were two or three months in arrears.

Speculation and Exchange Rates: Chinese speculators in Canton have become more active as the war shows signs of turning in favor of the United Nations. They are eager to pay high prices

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for Hong Kong and Shanghai stocks and shares, including those of American and British companies whose properties have been taken over by the Japanese.

Foreign currencies are in good demand. An American dollar in August, 1943, was worth M$6.50, M$7.00 and M$7.50 for $1.00, $10.00 and $100.00 denominations respectively. Canadian dollar notes and the notes of Australian, Philippine, Indian, Burmese, Hong Kong, Straits Settlements, Indochinese and Thailand currencies were abundant. The public appeared to have great confidence in British pound sterling notes and the great demand for them caused a scarcity. Deals in foreign currencies are conducted in exchange shops only if buyers and sellers are known to the proprietors. Foreign notes found in the possession of any Chinese are immediately taken up by Japanese soldiers or Chinese policemen as they are regarded as "enemy money".

Chinese national currency (fapi) in July, 1943, was valued as high as CN$1.00 equal to M$0.16 but this rate declined slightly in August, 1945. The fixed rate between military yen and CNB notes continued unchanged at CNB$100 equal to M$15. The price for gold increased from M$600 to M$700 per tael in April and May, 1945, to a peak of M$1,100 per tael in mid-August, 1945, but declined to a little less than M$1,000 by mid-September, 1945. Cantonese speculators generally believe that the military yen and CNB notes are worthless and that if they hold gold they will not be bankdrupt when the war is over.

Foodstuffs Situation

General Remarks: As the Japanese imposed no fixed price ceilings on foodstuffs the Chinese officials did nothing and foodstuffs dealers took advantage of the situation to exploit the public. As a result of the high prices charged for foods, many people were under-nourished and many died from starvation. Before the end of August, 1945, more than 1,000 corpses were picked up in the streets each day. The numbers were so great that many corpses were left exposed in the open for more than 48 hours before being carted away. The death rate rose when autumn set in. The sight of starving children was terrible and pathetic; they cried in the streets for food and many simply fell down and died.

The rich had plenty to eat and frequently ate at restaurants, the entrances of which were always blocked by starving beggars. Restaurants and tea houses did a prosperous business, being patronized mostly by Japanese military and civilianses well as Chinese detectives, hoarders and speculators. Now and then farmers could be seen eating in the large restaurants, as they were able to make good money because of the high prices for rice.

Rationing of Foodstuffs: Although ration tickets for foodstuffs were issued by the Food Control Bureau, the people were unable to get enough rice and were forced to buy on the black market to make up the deficiency. The poor had to give up a day's work to wait for their rationed rice, and because of their illiteracy

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(some cannot even read or keep track of the due date) they left the quantity allowed them under the ration system to the rice dealers, who took full advantage of the situation by selling on the black market any amounts they could thus obtain. The majority of the poor people had to go hungry for an entire day if they could not obtain their ration of rice or were forced to subsist on other foodstuffs. The more fortunate among them were sometimes able to have one meal of rice and one meal of congee (rice gruel) a day.

Chinese working in puppet governmental offices received a daily allotment of 8 taels of rice per capita for adults and 6 taels for children with the exception of Mondays which were called "riceless" days. Non-governmental citizens were allotted only 6 taels of rice a day for adults and 4 taels for children. While the governmental employees were allowed to obtain their ration for five or ten days at one time, other Chinese had to apply for it daily or every three days, which required them to stand in long lines to await their turn. Very often those at the end of the line were told to go home as the stock for the day was exhausted. The black market price for rice was CN$2.20 per catty (one catty equals 1⅓ taels or 1-1/3 pounds) compared with CN$1.05 per catty for rationed rice.

Looting of Foodstuffs: Looting of all kinds of edibles has become very common in Canton. It began shortly after the fall of Canton in 1938 and was at first restricted to prepared edibles only. As time passed, the looting was extended to raw foodstuffs vegetables, et cetera. Beggars and undesirables were found everywhere and crowds of them loitered about the entrances of shops or near stalls of hawkers to witness people making purchases and were especially common in market areas. They would follow the persons who had bought foodstuffs and seize the foodstuffs, which commonly were eaten on the spot or given to accomplices so that the robbers could escape. When caught red-handed they were beaten by by their victims or by bystanders. Prior to the early part of 1942 when rice was freely sold to the populace and the price was comparatively low these looters chose women as their victims, but when the price of rice skyrocketed and the rationing system was introduced they robbed from men as well. The police appeared to be lenient in their treatment of these looters and in most instances released them after inflicting slight physical punishment.

Salt: A per capita ration of 12 taels of salt a month at a price of CN$3.00 a catty was put into force some time ago. Ration tickets were issued by the Salt Gabelle office to be distributed by police precinct stations to households registered in the precincts. Shops engaged in the sauces and salt-fish businesses were forced to buy additional amounts from the black market, paying more than twice the fixed price for rationed salt. Salt merchants in various districts receive a quota of from 1,000 to 10,000 piculs a month, depending on the size of the district.

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These merchants must have military or political backing and be prepared to pay a good sum before they secure the agency. The fact that they smuggle salt into the unoccupied areas is an open secret. It was rumored that the former director of the Salt Gabelle office at Canton, who relinquished his post at the end of July, 1943, made more than MY1,000,000 during his tenure of office lasting little over one year.

Peanut and Other Vegetable Oils: The price of peanut oil in August, 1943, was approximately MY15.00 per catty. Other vegetable oils were seldom obtainable. It was frequently reported that vegetable oil dealers mixed tung oil with peanut oil in order to make greater profit, for tung oil was only about one-third the price of peanut oil. This adulterated peanut oil caused many people to suffer from stomach trouble.

Fish and Vegetables: During August, 1943, fish was sold at about MY0.80 per tael and vegetables at an average of MY0.50 per catty. The price for sweet potatoes increased during 1943 to a greater extent than prices for other foodstuffs, reaching about MY1.00 per catty in August, 1943, because sweet potatoes were a popular substitute for rice.

Pork and Beef: Pork was sold at MY15.00 per catty and beef at MY7.50 per catty in August, 1943. Only the rich could afford to eat pork.

Social Affairs

Opium: Opium dens are scattered all over Canton. Smokers are charged at least MY0.20 for one smoke. One tael of opium smuggled into the city from Kwangchowwan or Hong Kong in August, 1943, was sold at more than MY100 per tael. Hoarders of opium stocks bide their time in order to sell when prices are higher.

Gambling: The puppet authorities have not permitted public gambling in Canton although a large gambling house located in the northern outskirts of the city was opened to the public in June, 1943. It provides taxi service free of charge to prospective gamblers. Another large house for gambling is located in Nam Tauen, on the outskirts of Sonam, which lies across the Pearl River from Canton. Both of these houses engage male and female employees, both operate large restaurants and the one near Honam has a hotel to accommodate 100 persons. The puppet government exacts about MY500,000 a year from each of these houses, announcedly for reconstruction work but actually for the private account of certain puppet officials.

Prostitution: The high prices for foodstuffs and lack of employment has caused prostitution to become rampant in Canton. Brothels for Japanese troops are located at Tai Fu Chi (大府基) on Wai Fook Road. Licensed and unlicensed brothels and houses are found in every part of the city. Unlicensed prostitutes stroll about the streets or visit hotels in search of customers. Venereal diseases in Canton are common and said to be spreading, owing to the large numbers of prostitutes and the high fees charged for medical treatment.

Charles C. Wong.