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ABSTRACT

THE AMERICAN BUSINESS COMMUNITY, THE STATE DEPARTMENT AND THE SHANGHAI INCIDENT OF 1932

By

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The aim of this paper is to discuss the relationship between United States policy decisions in the Shanghai incident of 1932 and the interests of the American business community in Shanghai.

Evidence was gathered from such primary sources as local English language newspapers and periodicals. The Central Files of the United States State Department and the Stimson diaries were also used. Other United States Government publications were also used, as well as secondary sources.

The evidence gathered for this paper suggests that the American business community in Shanghai had little or no effect on American policy in this event.

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INTRODUCTION

Any history of twentieth century Sino-American relations would be deemed incomplete without a discussion of the Manchurian Incident of 1931. The Japanese attack on Shanghai in 1932, however, has received little attention from historians. The Shanghai incident was resolved in a matter of months and resulted in no permanent gain for the Japanese. As unimportant as this event may seem from hindsight, at the time, it overshadowed in the American consciousness the events in Manchuria. In the American press, apologists for Japanese aggression against China found Shanghai much more difficult to explain than Manchuria. However, one small segment of the American population demanded no apology from the Japanese. This was the American business community residing in Shanghai. The inability of American businessmen in Shanghai to influence the American response to the crisis illuminates the relationship between American foreign policy and its business interests.

American businessmen in Shanghai believed that the invasion if not perfectly justified, was an understandable response to persistent Chinese provocation. During the previous year, tensions between the Japanese and the Chinese had heightened rapidly. The controversy centered largely around the activities of the Anti-Japanese Boycott Association. This organization was a semi-official instrument through which the Chinese attempted to influence

Japanese policy. In the International Settlement (that area at Shanghai set aside for foreign habitation and commerce) the Americans joined the British and Japanese residents in condemning the anti-Japanese activists.

In addition, the Americans along with their British and Japanese counterparts had grievances of a more basic nature with the Chinese. During the few years immediately preceding the Shanghai incident, they found the special position they had attained under the protection of extraterritoriality threatened by the Chinese Government. Whatever diversity of interests may have existed among the American, British, and Japanese businessmen, they stood united when it came to defending foreign privilege against the increasingly importunate demands of Chinese nationalism.

Many historians have attempted to show that American foreign policy closely follows the interests of the American business community. However, the disparity between what American businessmen in Shanghai wanted and what their government did indicates that there is no simple relationship between trade and diplomacy.

INTERNATIONAL SETTLEMENT

The events which unfolded in Shanghai in 1931 and 1932 were a result of the irreconcilable differences between the foreign business community and the Chinese people and government. The combination of these differences and the ongoing Sino-Japanese rivalry was explosive. This study concerns the American business community in Shanghai and its influence on American foreign policy. However, on the major issues with which this paper is concerned, it is not useful to attempt to separate the interests of the Americans in Shanghai from those of the British and Japanese residents. There is much evidence that the State Department often did not differentiate between Americans and others in the International Settlement. In general, most Japanese, British and American businessmen in Shanghai wanted one thing; The continuation of a favorable environment at Shanghai for their commercial activities. Most of them agreed that this could best be accomplished under foreign guidance. Therefore, in general, these people worked for the continuation of extraterritoriality, and for the extension of foreign control in the Shanghai area. These goals could not be reconciled with the demands of Chinese nationalists, who believed it was time that China regained sovereignty over Shanghai and the other Treaty Ports. The Americans at Shanghai pressured their government to support them in this dispute.

Shanghai in the 1930's was largely the creation of foreign enterprise. In 1842, after the Opium War, The Treaty of Nanking laid the groundwork for the establishment of foreign controlled enclaves within China's borders. The Traty of Nanking and the other Unequal Treaties, also provided for extraterritorial rights for foreigners in China. Foreigners whose countries possessed extreaterrotoriality in China, were exempt from Chinese law. The International Settlement at Shanghai grew out of the Unequal Treaty system. Long before 1930, Shanghai had become the most important economic center in China. Shanghai's success was due to many factors. The port's extremely favorable location was of prime importance. But traders and businessmen, both foreign and Chinese developed the infrastructure necessary to exploit Shanghai's potential as a trading center.[1]

Shanghai, and China in general represented a small but growing fraction of total American foreign trade and investment. In Shanghai's International Settlement The British and the Japanese exceeded the American business community both in numbers and in volume of investments. Of the American investments in Shanghai, the most important were, banking, trading, public utilities, and manufacturing.[2]

While foreigners in Shanghai hired many Chinese workers, the higher positions in their businesses were usually held by foreign nationals. Therefore, Shanghai had

to be made habitable by foreign standards. Capital applied itself to the task. In 1930, no other Chinese city came close to Shanghai in the availability of modern conveniences. The Shanghai area boasted about half of all the telephones and private automobiles in all of China. Shanghai had electrical power in factories and homes when the per capita electrical output of China as a whole was close to zero.[3]

Moreover, the International Settlement led the rest of China in providing for the basic needs of its residents through modern city management practices. The administrators of the International Settlement first systematized the collection and removal to the countryside of night soil. They eventually set up waste treatment plants, so that the night soil was delivered to the surrounding farms in a more concentrated and sanitary form. Settlement authorities also set up water purification plants to serve the residents. Public Safety was provided for by the establishment of fire and police departments. All the foreign children in the Settlement were educated in publicly funded primary and secondary schools.[4]

These services and others were provided by the Shanghai Municipal Council. This organization served as the government of the International Settlement. It performed the usual functions of a city government in western countries. In addition, it often served a quasi-diplomatic function, in representing to the Chinese and to the various

Consuls General the interests of Shanghai's foreign community. Representation on the Council was determined by elections among the Settlement's ratepayers. During this period, SMC membership was set at fourteen - five Chinese, two Japanese, six British, and two Americans. The number of Chinese representatives was provided for explicitly. It appears that the mix of other nationals on the Council was customary and somewhat variable.[5]

In representing the interests of the International community at Shanghai, the Shanghai Municipal Council generally presented a united front to the Chinese and to the various interested powers. A large proportion of the Council members were businessmen and it is assumed that the SMC tended to represent the interests of the business community in Shanghai. With the exception of a significant American missionary community, most Americans in China were there to do business. Therefore, the actions of the Shanghai Municipal Council can be assumed to be on the whole in accord with the position of the American business community in Shanghai. Also, when referring to the relations between the International Settlement and the Chinese, American diplomats in China usually treated the foreign community as a unified whole, not differentiating between American, British, and Japanese positions.

Nor is there is any evidence from the major English language newspaper in Shanghai, the' North China Herald, that there were any significant differences between the Americans

and other foreigners over the basic aims of the Municipal Council during this period. The Herald was a British owned paper which tended in its news coverage and editorials to represent the same elements as the Shanghai Municipal Council. This newspaper provides a significant indication of showing American opinion in Shanghai because it was the major foreign paper in Shanghai at the time. Consul General Edwin Cunningham frequently relied on the Herald to represent the views of the foreign community as a whole, including his fellow Americans. Whenever he sent the State Department summaries of local press reports on current events, the Herald was most frequently cited.

British and non-British alike directed their opinions on current Shanghai events to the Herald's Letters page. Non-British who wrote in to this column often stated their nationality. Most of the letters focussed on the relations of the International Settlement with the Chinese. The sentiments expressed during this period generally ranged from moderate to extreme hostility toward the Chinese government and people. When British Sino-phobia was at its most vicious in the summer of 1931, some letters attacked the pretensions of International Settlement residents, but only a few of these writers identified themselves as Americans. The most that can be deduced from limited evidence is that the Americans tended to be somewhat less unsympathetic toward the Chinese than did their British and Japanese competitors.[6]

In 1931, the attention of the Americans in Shanghai and the SMC centered on two issues, the so-called extrasettlement roads area, and the anti Japanese boycott. The extrasettlement roads area was outside the formal boundries of the Settlement, claimed by both the Chinese and the foreigners. The anti Japanese boycott was carried out by Chinese to protest the Japanese invasion of Manchuria.

The Municipal Council and the Chinese authorities of Greater Shanghai were trying to sort out whether the extrasettlement roads should be Chinese or foreign controlled. Each side claimed absolute sovereignty over the area. No compromise seemed possible. The area was important to the Settlement because it contained the houses of many wealthy foreigners, foreign built schools hospitals and utilities, and many foreign business establishments.[7]

The legal justification for the Municipal Council's claim to authority over the extrasettlement roads area was weak. Settlement authorities therefore emphasized the argument that the Chinese had proven themselves incapable of administering a modern metropolis. The evidence for this view was provided by a report the SMC commissioned in 1930.

Justice Richard Feetham of the South African Supreme Court studied the Shanghai situation at length and issued his report in the summer of 1931. The Feetham report contained a wealth of information on the accomplishments of the foreign community at Shanghai. It recognized the Chinese right eventually to regain sovereignty over

Shanghai, but emphasized that this must be a gradual process. Feetham maintained it would take decades before the Chinese were ready to administer the area. He recommended that the extrasettlement roads be jointly administered by the International Settlement and Chinese authorities, with the Chinese gradually assuming complete control. His report received the wholehearted endorsement of most of the foreign business community. The North China Herald praised it pointing out that "The roads outside the Settlement have increased the prosperity of the afore-time villagers and agriculturists to an extent probably not [previously] dreamt of." and that "Such enterprise was due to foreign energy." American Consul General Cunningham advised the State Department that the report offered the best solution to the Shanghai problem, but doubted the Chinese would ever accept its recommendations.

In 1931, Settlement authorities opened negotiations with the Chinese over the issue of the extrasettlement roads. the foreign community was represented by three SMC members - an Englishman, a Japanese, and an American. The American negotiator was Stirling Fessenden, Secretary General of the Shanghai Municipal Council. The Council, hoping for any aid the American government might provide kept Consul General Cunningham informed as to the progress of the talks. The Chinese demonstrated no inclination to

compromise. Nothing was accomplished. Any thought of settling Shanghai's problems through peaceful negotiation was temporarily put to rest by the rush of events.[8]

The issue which most disrupted Shanghai in 1931, was the anti Japanese boycott. The semiofficial Anti Japanese Boycott Association had been active for several years, but support for its activities among the Chinese was halfhearted and often involuntary. With the Japanese invasion of Manchuria in September of 1931, however, anti Japanese sentiment among the Chinese soared. Support for the boycott grew, and in Shanghai the boycotters operated freely, outside the foreign controlled areas. Those Chinese who did not voluntarily support the boycott had their Japanese produced goods confiscated and sold at auction. The boycotters also seized Japanese goods from foreigners.[9]

Many of the activities of the Association were illegal, both by the standards of western and Chinese justice. They were beyond doubt not conducive to a healthy commerce. The boycotters did not simply refuse to buy Japanese goods. They also seized Japanese produced goods from local merchants. The foreign business community regarded the boycott not as a spontaneous outpouring of Chinese patriotism, but as little more than government supported piracy. Moreover, foreigners tended to see the boycott as irrational and self defeating. An editorial in the North China Herald was typical of the foreign response. The author claimed that the boycott harmed Chinese as well as

Japanese merchants but added that "experience shows that boycotters can rarely afford the luxury of either reason or logic." The article continued, "When...[the boycott's] potentialities for stirring up civil strife, [and] of accentuating international animosities are taken into account condemnation of it can,[sic] surely be the only possible attitude of the sane."[10]

The anti Japanese sentiment in the Shanghai area increasingly expressed itself in mob violence and physical attacks upon Japanese residents and shops. As violence increased, so did Japanese demands upon the International Settlement authorities for police protection. Apparently, Settlement police did their best, arresting several suspects. However the Chinese controlled Shanghai District Court had jurisdiction in the International Settlement over Chinese and all people who did not possess extraterritorial rights. This court, placing politics before law, dismissed charges against boycotters, or imposed very light penalties. This practice filled the foreigners with horror and added fuel to their ever increasing Sino-phobia.

From September through December, a total of $88,538 worth of goods was confiscated. The boycotters did not confine their confiscations to Japanese and Chinese merchants and shippers. Much of the total was comprised of American-owned goods of Japanese origin. These were eventually returned through the efforts of Consul General Cunningham and the Mayor of the Chinese Municipality. In

addition, American shippers had worked out a modus vivendi with pickets on the Yangtze who accepted "gratuities" from the Americans to let the goods pass. Well publicized corruption among certain boycotters did not help the anti-Japanese movement's image problem in the foreign business community.[11]

As the year wore on, the long term disputes between the International Community and the Chinese smouldered beneath the surface. Anti Japanese activities became increasingly disruptive and violent. Any sympathy American businessmen in Shanghai might have felt in the abstract for Chinese nationalism was overshadowed by the disgust these people felt for the unruly behavior of Chinese activists. Consul General Cunningham compared the Chinese activists unfavorably to Japanese residents who had organized a meeting to petition their government for support in the growing Shanghai crisis. He wrote:

> One is impressed by the contrast between the manner in which the Japanese expressed their views and petitioned their government in regard to conditions in China, and the way in which the Chinese have proceeded; the latter not by petition in the recognized manner, but by placing the matter in the hands of students who have approached their government as rowdies and outlaws rather than as citizen petitioners.[12]

The increasing sino-phobia of many foreigners was exemplified in the public response to relief campaigns to for victims of a major Yangtze valley flood in 1931. Although the first relief program to arise in the Shanghai area was sponsored by foreigners, specifically, the

directors of the Kailan Mining Administration, many in the international community opposed giving any aid to the Chinese victims of the flood. Letters to the editors of the North China Herald tended to paint all Chinese with the same unflattering brush. Letter writers argued that the anti-foreignism of the Chinese should disqualify them for any mercy and urged foreigners to reserve their charity for their "own kind." Even Consul General Cunningham, who was among the more moderate of the Shanghai foreigners, complained in a monthly political report that the Chinese themselves had failed to unite to offer any effective relief, yet expected foreigners to do so.

Referring to the slowness of the National Government to give any effective aid, writers asked why foreigners should help if other Chinese would not. The Herald claimed that 85 per cent of all the foreigners at Shanghai were unwilling to cooperate in any relief program. Although this estimate was questionable (The Herald did not disclose how it arrived at this figure) it remains an indicator of the level of anti-Chinese sentiment among the international community in Shanghai in 1931.[13]

By the end of January 1932, residents of the International Settlement had developed a siege mentality. Emotions had been so greatly aggravated that further negotiations on sensitive emotional issues such as the extrasettlement roads likely seemed pointless. The Shanghai foreigners, especially the Japanese and British,

had come to see themselves as united against a common enemy, the disruptive, incomprehensible and hostile Chinese multitude. Any differences which may have existed between the Japanese and British and the American residents were now muted by the common perceived threat. Foreigners were in Shanghai primarily to do business and they believed that Chinese nationalism as it expressed itself in 1931 and 1932 was bad for business.

It is not surprising then, if the American businessmen in Shanghai had some sympathy for the Japanese attack at the end of January. Even before the invasion, Settlement authorities had wanted to ask Japanese marines to keep order in the Settlement. Consul General Cunningham reported that the Chairman of the SMC planned to ask the Japanese Admiral commanding the to send troops to maintain order at a Japanese mass meeting scheculed for January 23rd. Cunningham did not go so far as to veto the idea. He said that the Chairman should make the request through the Japanese Consul General rather than directly to the Admiral. He then suggested that the SMC police and volunteer corps might be preferable to Japanese military personnel, since they would be less likely to shoot at any Chinese who might run afoul of the Japanese demonstrators. It is significant that Cunningham did not object more strongly to such a patently unneutral request. Cunningham, like the Americans he served, seemed to see the Japanese military as less threatening than the Chinese people.[14]

However, in January of 1932, the Japanese had increasingly become the initiators of rather than the victims of Sino-Japanese altercations. The restraint that Cunningham had noted in the December mass meeting was no longer in evidence. The Japanese mass meeting scheduled for January 23, degenerated into mob violence. Moreover, the Japanese military presence became more obvious as Japanese forces had been taking an increasingly active role in combating the boycotters and protecting Japanese businesses.[15]

On January 28, Admiral Shiozawa, Commander of the Japanese Naval force at Shanghai, sent his marines to "keep order" in Chabei, a suburb of Shanghai. Thus began the battle of Shanghai. During the next few months, the Americans in the International Settlement continued to see the surrounding Chinese as a greater threat than the Japanese marines operating in their midst.

On the eve of the attack, the International Settlement Defense Committee, composed of the Municipal Council and the commanders of the American, British, and French forces in Shanghai had declared a state of emergency. This was done at the request of the Japanese Admiral. The declaration called into operation a pre-arranged defense plan which divided the International Settlement into sectors, each of which was to be defended by troops of a specific nation. The plan assigned the Japanese to defend the Hongkew section, a predominantly Japanese area.

The defense plan did not call for any forrays outside the Settlement. However, the Japanese used their sector as a base from which to launch incursions into Chinese territory. Thus, the Japanese were able to launch an aggressive military campaign under the protection of the Settlement's technical neutrality. International Settlement authorities found the more blatant Japanese infractions a nuisance and complained about them to Cunningham, but their opposition did not go beyond words. In fact, Stirling Fessenden maintained that it was the responsibility of the powers, not the Municipal Council to see that the neutrality of the International Settlement was not violated. In spite of Japanese violations of Settlement neutrality, the bond between the American, British, and Japanese residents held throughout the 1932 hostilities.[16]

The Shanghai incident was very quickly internationalized when the League of Nations took up the problem. The League set in motion a mechanism to bring the two disputants together in Shanghai for negotiations aimed at ending the hostilities. The British and American positions in the League discussions have been examined in detail by Christopher Thorne in The Limits of Foreign Policy, the West, the League and the Far Eastern Crisis of 1931 - 1933.

A subject which has not received much attention is the so-called Round Table Conference proposed In February by British delegate Sir John Simon. This was to be an international conference separate from the peace negotiations which would discuss outstanding problems of Shanghai. The Japanese and Chinese delegates both agreed to the conference. The United States also agreed to participate. The Round Table Conference never occurred, but for a time it figured large in the minds of the foreigners at Shanghai.

The American business community in Shanghai viewed the proposed Round Table as an opportunity to settle their long standing greivances with the Chinese. The State Department was bombarded with specific proposals aimed at either extending the International Settlement or actually removing the entire Shanghai area from Chinese control. It is clear that the foreigners at Shanghai hoped that the Round Table Conderence could be used to force an extension internationalization plan on the Chinese.

The businessmen blamed the crisis on the China. Prevailing opinion among the American businessmen in Shanghai, was that the Chinese boycotters had provoked the Japanese beyond endurance. Cunningham also emphasized the role the Chinese had played in bringing on the Shanghai hostilities and looked with favor on many of the foreign proposals for the future of Shanghai. The boycott had shown, many believed, that stability in Shanghai could not

be guaranteed as long as the area was subject to Chinese influence. The International Settlement provided a well organized and stable environment for commerce. But as soon as one stepped outside the Settlement, anything could happen. The enlargement of the area under foreign control either through extension or internationalization would guarantee that Shanghai would continue to thrive. [17]

In general, the plans for internationalization with which the Americans were involved proposed that Shanghai temporarily be made an international free port. Though the various plans submitted differed in detail, they all had in common certain basic points, which reflected the contempt that the Americans in Shanghai had for the Chinese way of doing things. The proposals called for a specified period, varying from 30 to 35 years, during which all of Shanghai would be internationalized. The plans encompassed not only the International Settlement and the French controlled area adjacent to it, but also the Chinese area of Shanghai. Thus, they both encompassed and exceeded the previous foreign attempts at extension of the International Settlement.

All the internationalization proposals provided for a judicial and police system independent of Chinese control. They included provisions for the collection by the National Government of taxes and duties within the area, but gave foreigners considerable control over the imposition of taxes. The plans also called for the establishment of a

demilitarized zone around Shanghai. This zone was to be patrolled by small Chinese peace keeping forces. However, the Chinese would not be allowed to keep any significant military force in the area. The international area would provide military forces for its own defense.

At least one of these plans, the American diplomats believed, had been quietly promoted among the British and Americans at Shanghai by the Japanese. In February, the Japanese let it be known that any territory they gained as a result of the hostilities in Shanghai would be turned over to the International Settlement for administration. American Minister to China Nelson T. Johnson regarded this as a blatant attempt to secure British and American support for the Japanese position.[18]

Johnson was much less sympathetic to the internationalization and extension plans than was Cunningham. In early March, he had submitted to the State Department a long analysis of the of the defects of extension plans which might arise at the Round Table Conference. The Minister pointed out that extension might hurt Americans in the long run, because the areas under question were largely inhabited by Japanese. Incorporation of so many Japanese into the International Settlement would allow the Japanese to demand greater representation on the SMC. An even more important issue in Johnson's opinion, was the fact that American involvement in moves to extend

the Settlement "would give rise to the criticism that we were aiding and abetting the Japanese in impinging upon the administrative sovereignty of China."[19]

On March 11, the Minister was approached by two Americans, Arthur Bassett, of the British American Tobacco Company, and Thomas Britton, a real estate investor. They submitted for his consideration an extension proposal which they said had considerable support among American and British businessmen. The Minister informed the two that the Japanese role in this proposal was no secret and reminded them that American policy on rendition was moving in the opposite direction of that suggested in the proposal. In fact, both Britain and the United States were at that time involved in negotiations which would lead to the end of extraterritoriality in China, and return to the Chinese control over all the treaty ports, including Shanghai.

Stating that he knew the Chinese to be "heartily opposed to any plans that remotely suggested the extension of the Settlement" Johnson pointedly asked Britton and Bassett if at this time they wished to be identified in the minds of the Chinese with Japanese aggression. This was enough for Bassett who suggested that under the circumstances, Britton disband the committee he had established to promote the proposal. However, Britton continued to agitate for the plan, submitting it shortly thereafter, for consideration by the Division of Far

Eastern Affairs. Even Cunningham who tended to view such plans with equanimity, could not support this one. He said it bore "the earmarks of having been prepared at the instance of real estate or public utility companies" and added that it would be obvious to the Chinese that Japanese interests were behind the idea.[20]

Although the Chinese had initially agreed to the Round Table, they quickly began to back away from the idea. No doubt they were aware of the issues the foreigners intended to raise. However, throughout the peace negotiations in Shanghai, the Japanese tenaciously insisted that they would not withdraw their marines until the Round Table Conference was convened and had produced an acceptable agreement regarding the status of Shanghai.

STATE DEPARTMENT

Americans in Shanghai worked hard to get the support of their government for the Round Table and for the various plans which might be discussed there. However, the priorities of the State Department were such that it would not support these schemes. Officials, while noting that some of the proposals had merit, always emphasized the inadvisability of forcing them on the Chinese. China was in no mood to accept with equanimity further attacks upon its sovereignty. The State Department's response to all the requests was that the United States would not support any plan to internationalize Shanghai or extend the Settlement unless the Chinese themselves proposed it. This attitude complimented the position Secretary of State Henry Stimson adopted.

Stimson was concerned with broader issues than those which occupied the minds of American businessmen in Shanghai. As Secretary of State, he had to balance the demanmds of American business with the need to maintain a peaceful world. It is clear that he saw the situation unfolding in Shanghai as part of a broader threat to international peace. Stimson operated on the assumption that the apparatus provided by the Nine-Power Pact and the League of Nations could provide a peaceful solution to the problem. The Japanese choice of a military solution to their problems with the Chinese, were challanging Stimson's basic beliefs on how international disputes should be

settled. Stimson's objections were not only philosophical. His diary entries indicate that he saw the Japanese as a real threat to peace in Asia.

To allow the Japanese to benefit from their transgression would have been inconsistent, and would have established a dangerous precedent. The demands of the American business community were too closely associated with the Japanese interests. Moreover, coming as they did on the heels of the Japanese invasion of Shanghai, the demands were a blatantly opportunistic attempt to take advantage of China's weakness.

Moreover, Stimson wanted to find a solution that would not infringe on China's sovereignty. He maintained that, in the long run, American business in China would suffer if the United States cooperated with the Japanese in forcing concessions from the Chinese.[21]

Stimson's response was predetermined by his belief in the superiority of non-military solutions to international disputes, and by the Stimson Doctrine of non-recognition. This policy was drafted in response to the Japanese invasion of Manchuria stated that the United States would not recognize any de facto situation resulting from the use of force.

The Secretary had foreseen that the Americans would attempt to use the Japanese military presence in Shanghai to force upon the Chinese far reaching concessions. In early March, he emphasized to his representative at Geneva the

importance of limiting the scope of the projected Round Table. Stimson's choice of words indicated his perception of the situation when he predicted that the foreigners in Shanghai would try to take advantage of the talks to "clear up longstanding petty grievances against the Chinese."[22]

On March 4, Cunningham submitted to his superiors at the State Department a plan which envisioned the creation of a "special area, including the International Settlement, French Concession and Greater Shanghai" under a charter to be granted by the Chinese government. Cunningham himself, favored the plan. However, in light of the circumstances at Shanghai, and the Stimson Doctrine, the State Department would not support it. A memo prepared by the Division of Far Eastern Affairs stated that the policy of non-recognition precluded participation in the plan unless the Chinese themselves proposed it.[23]

During the Spring and Summer of 1932, foreign interest in the Round Table and the internationalization plan which might result from it continued high. Because of Chinese resistence to the Conference, Japan proposed in May that the conference be convened in Tokyo. The Chinese could be invited after the other powers had worked out a preliminary plan. Stimson would have nothing to do with this plan, maintaining that anything resulting from such a conference "would always have attached to it, in the minds of the Chinese, a certain amount of odium."[24]

Eventually, the Americans in Shanghai seemed to realize that their schemes for the future of Shanghai would get no support from Washington. Near the end of the summer, they seem to have accepted the fact that the Round Table Conference would never take place. The SMC eventually repoened negotiations with the Chinese regarding the estrasettlement roads. The grandiose schemes of the spring and summer resulved themselves into a modest modus vivendi involving joint Sino-foreign control over the disputed area. The areement was highly reminiscent of Justice Feethm's recommendation of the previous year.

The British and American Chambers of Commerce supported the agreement. Only the Japanese now resisted, insisting on more Japanese control ovedr the police in Japanese occupied areas. The Shanghai Municipal Council, overrulling Japanese objections approved the plan, which also received the quiet support of the American government.[25]

CONCLUSION

The events of 1931 and 1932 were instructive for the American businessmen in Shanghai. After hope for the Round Table Conference died, the Municipal Council quickly agreed with the Chinese to a compromise solution of the extrasettlement roads problem. A comparison of this agreement with the pipedreams of the spring and earlier summer incidates that Americans and their British friends had learned something about their position in the overall scheme of things. Stimson wanted American business to thrive, but not at the expense of Chinese sovereignty or the international peacekeeping system.

The Shanghai Incident is instructive for historians as well. While historians may show that business interests often influence American foreign policy, the relationship is not a simple one. Policy makers may value world peace over short term economic advantage. Moreover, they may have a different view of the long term interests of the business community than businessmen themselves have. Clearly, American businessmen in Shanghai believed their interests would be best served by the internationalization of Shanghai. The fact that such an outcome would be forever associated by the Chinese with Japanese aggression deterred few. However, to the extent that Stimson cared about the problems of the Shanghai business community, his conception of its long term needs emphasized the imortance of Chinese good will.

More important, there is little evidence that during the crisis, Stimson concerned himself very much with American businessmen in Shanghai. His communications tend to belittle the complaints of the Americans on the spot and emphasize the need to keep peace in Asia. He saw the Japanese actions as a serious threat to world peace and his overriding concern was to effectively counter that threat.

NOTES

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2. United States Department of Commerce, Bureau of Foreign and Domestic Commerce. Commerce Yearbook, Volumes I and II for the years 1929 to 1933 and 1935. Remer, C.F., Foreign Investment in China, passim.

3. ibid., and Woodhead, H.G.W., China Year Book, 1931 and 1932.

4. William Crane Johnstone, The Shanghai Problem, p. 85 and 86. Justice Richard Feetham, Feetham Report, Vol. I p. 132 - 138. Murphey. Woodhead.

5. Lynn T. White III, "Non-Governmentalism in the Historical Development of Modern Shanghai," in J.C. Ma and Edward W. Hanten, Urban Development in Modern China.

6. North China Herald, 1931 and 1932.

7. United States State Department, United States Department of State Central Files, 893.102 S/309.

8. ibid., S/328. Feetham. White. North China Daily News, July 10, 1931.

9. Parks Coble, The Shanghai Capitalists, Chapter 2. Herald, 1931. USSDCF, 1931 and 1932, passim.

10. Herald, Dec. 8, 1931, p. 329

11. ibid., Aug. 11, p. 194; Aug. 25, p. 256; Dec. 1, p. 308, 315, and 318; and 350; Dec. 8, p. 350. USSDCF, 893.00, P.R. S/39 - S/43.

12. USSDCF, 893.102 S/389.

13. ibid., 893.00, P.R. S/432; P.R. S/393. Herald, 1931, Aug. 8, p. 237, and Aug 25, p. 272 and 273.

14. USSDCF, 893.102 S/353.

15. ibid., 893.00 P.R. S/39; S/44.

16. ibid., 893.102, P.R. S/44; 793.94, C/116; 793.94 3775; 793.94;

17. ibid., 793.94 /4592; 893.102 S/1050 - 1/6; 893.102 S/1111

18. ibid., 793,94/4254.

19. ibid., 893.102 S/1050 - 1/6.

20. ibid., 893.102 S/1111

21. ibid., F HR 893.102 S/929. Henry Stimson, Stimson Diary, p. 181 to 184.

22. ibid., 893.102 S/292.

23. ibid., 793.94 /4592

24. Stimson, p. 182.

25. ibid., 893.102 S/1225; 893.102 S/1227 ; 893.102 S/1229; 893.102 S/1228.

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