



## Opium and the Politics of Gangsterism in Nationalist China, 1927–1945

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# Opium and the Politics of Gangsterism

## in Nationalist China, 1927-1945

By Jonathan Marshall

### Introduction

No political system can be adequately analyzed without reference to the sources of power which supply the motor force for political action. Traditional accounts of Republican Chinese politics, in terms of shifting, competing personalist cliques within the state bureaucracy, too often emphasize the form and not the tools of conflict. Without a further understanding of the sources of power which these cliques sought to tap, the significance of much of the history of Republican Chinese politics will be lost.

Opium was a key well-spring of power in the Republican period. When properly tapped, the opium traffic—so large that it supplied perhaps 5% of the Chinese population—provided a vast pool of liquid profits with which to wage war or buy organization and influence. By manipulating the traffic, leaders could both penalize enemies (who also depended on its profits) and extend their own political and economic influence. Greater centralization of the traffic inevitably meant greater centralization of national political power.

Opium impinged upon the whole fabric of China's political economy, including peasant agriculture, provincial warlordism, "bandit suppression," and intra-Guomindang (KMT) political and military struggles. The national and local bureaucracy was so dependent on profits from the traffic that opium could not be eradicated without a near social revolution.

Chiang Kai-shek, who relished neither the traffic nor the disunity it brought China, came to power under such conditions. Refusing to break with the past or to challenge the pattern of dependence on foreign capital and the traditional class structure, Chiang pragmatically forged alliances with provincial bosses and urban gangsters who demanded protection for their stake in the opium traffic. Chiang himself soon learned the political potential of the traffic and used it to finance his wars against the Japanese, Communists, and rival warlords. By moving to centralize the traffic under his personal control, under the guise of "suppression," he sought to extend his regime's control. As a result, corruption and gangsterism, part of Chiang's unhappy inheritance, thrived as never before.

This study, then, is an investigation of the way in which rightist politicians and criminals collaborated in exploiting the traffic as a lever to entrench their own position at the expense of social reform. Unraveling the politics of opium in

Republican China is thus not only important to understanding modern Chinese history, but also suggests ways of interpreting the management of political economy in other pre-revolutionary societies.

### Opium: From Anarchy to Monopoly

*Few friends of China ever realized the important role the evil of narcotic drugs played in ruining this great nation. The constructive efforts made by her good elements in the past decades to [build up] this country were nullified by the destructive influence exerted by opium and its allied drugs serving as a check to hold China back from developing into a modern state. In fact, opium has been the source of official corruption, civil strife, famine, banditry, poverty, military tyranny, and other kindred social and economic vices which handicap China's progress. The lack of morality, the weakening of the race and the rapid increase of various social evils can in the last analysis be traced back to their source in opium.<sup>1</sup>*

—Garfield Huang, Secretary General  
National Anti-Opium Association of China  
21 October 1935

Opium poppies grew even in ancient China, but the country faced a serious narcotics problem only in the late 18th century when British merchants began flooding China with Indian opium. Following the Opium War, Westerners took advantage of their supremacy to expand the enormously profitable market for opium in China. By 1880, China consumed 13 million pounds of foreign opium every year. Over time, however, local Chinese production, which reached 45 million pounds in 1900, vastly outdistanced foreign imports. Soon the Chinese product began entering world markets.

As China reversed the tide, Britain, the United States, and other Western powers proposed the suppression of the opium traffic in China. In 1906 the Chinese Government launched a major campaign to cut consumption of opium, which more than a third of the population smoked occasionally. Britain agreed in 1908 to phase out the

importation of Indian opium (which it did by 1913). A number of international narcotics conventions reinforced world opinion in favor of gradual, but total suppression of narcotics. Despite the political turbulence of post-Qing China, the country had nearly eradicated the cultivation of opium by 1917. Almost immediately, however, provincial warlords reintroduced the poppy to raise revenue. The Peking government itself clumsily attempted to license opium sales for tax profit. And massive smuggling of morphine from Japan replaced the declining Western traffic. Almost overnight all of China's suppression efforts were nullified.<sup>2</sup>

The British Minister to Peking reported in 1921 on the disturbing recrudescence of opium cultivation throughout China:

*... In Hunan, cultivation has enormously increased and appears to be more or less general under the aegis of the military authorities in the province. ... The Governor of Kansu, according to information which has reached Peking, recently convened a conference of officials, leading gentry and merchants, at which he publicly announced that, in view of the state of the provincial exchequer, he had determined, following the example of the authorities in Hsinchiang, Sbensi, and Szechuan, to encourage the planting of poppy all over the province. He is reported to have said, in explanation of his policy, "I'm at a loss to find another means to stop the financial panic, and it is difficult to prevent mutinies of troops."<sup>3</sup>*

By 1923, according to one estimate, China produced 30 million pounds of opium a year, compared to 2 million for India and 1.15 million in the rest of the Far East and Near East.<sup>4</sup>

The widespread renewal of opium cultivation resulted from political chaos and the chance for high profits. The collapse of national government in China fostered the rise of provincial warlords. These generals financed their armies by land taxes which forced peasants to grow cash crops, of which opium was by far the most profitable. Frontier provinces such as Yunnan and Sichuan cultivated opium most extensively because of their independence from the central government and because of the high value of opium relative to its transport cost.<sup>5</sup>

The successes of the Kuomintang in the latter half of the 1920s raised the possibility of an end to China's political divisions and with it the suppression of opium. But the Nationalists, like the warlords, were pragmatic about military finance. In 1923, Sun Yat-sen's Canton regime set a precedent by licensing opium dens and brothels.<sup>6</sup> Under Chiang Kai-shek, the Nationalists established opium monopolies in Canton, Hankou, Nanjing, Shanghai, and other major cities. One Western doctor decried the fact that "absolutely no attempt has so far been made to restrict, control, or suppress opium cultivation or use. Millions have been raised out of opium for military operations and civil propaganda. ... Revolution demanded funds, and reforms have been relegated to a shadowy future." Indeed, within the space of a year, the Nationalists raised Chinese \$40 million from their monopoly.<sup>7</sup>

By 1928, China's narcotics problem seemed hopeless. The Kweichow Chamber of Commerce adopted opium as an official standard of value; in Yunnan, ninety percent of adult males smoked, and many babies were born as addicts, having acquired their habits in the wombs of addicted mothers. In

Hankou alone, the "Special-Tax Purification Bureau" collected Chinese \$3 million a month in opium revenue; half went to Nanjing, 30 percent financed the Hubei government, and the Sichuan militarist who supplied the drug took 20 percent.<sup>8</sup>

The KMT opium monopoly schemes seriously antagonized Chinese intellectuals and Westerners whose support the Nanjing regime sought. Chiang bowed to their demands and outlawed the sale, possession, transportation, and exportation of opiates. On August 20, 1928, he organized the National Opium Suppression Committee, under Dr. J. Heng Liu, Minister of Public Health, to enforce the new opium laws. In early November Chiang Kai-shek told the Committee, "The National Government will not attempt to get one cent from the opium tax. It would not be worthy of your confidence if it should be found to make an opium tax one of its chief sources of income."<sup>9</sup>

The "prohibition" effort proved none too effective. In 1929, Hubei, Shaanxi, and Guangxi provinces alone raised \$17 million in "opium prohibition revenue."<sup>10</sup> In 1930, Shanghai imported 130,000 pounds of opium a month from Persia and India. Yunnan and Sichuan supplied hundreds of tons more via China's "opium highway," the Yangtze River. "Hardly a ship comes down the river that does not carry a hundred weight or more of opium on board," commented one journalist long resident in the city. These shipments were guarded by large contingents of Chinese soldiers. In one notorious incident, Shanghai police and provincial military forces fought a minor war for control of 20,000 ounces of opium brought in by steamer. The military won and took the opium for sale.<sup>11</sup> In the city of Canton, British police seized a stray Chinese vessel and discovered two tons of opium on board. They released the shipment when the captain showed a "permit" from the local Opium Suppression Bureau and the Mayor of Canton demanded its release.<sup>12</sup> A number of provincial governments admitted earning at least a quarter of their revenue from opium.<sup>13</sup>

By 1931, China produced seven-eighths of the world's narcotics. Chinese opium flooded world markets through Hong Kong, Macao, and Shanghai.<sup>14</sup> British journalist H. G. W. Woodhead summed up the situation after an exhaustive investigation.

*In general it may be stated that throughout China today, with the exception of isolated instances, no effort is or can be made by the National Government to control the sale or smoking of opium. It can be purchased without difficulty, in practically every town and village of any size throughout the country. And the traffic is controlled by the military and big opium rings.<sup>15</sup>*

The Nationalist government, intent on profiting from the trade rather than suppressing it, favored the establishment of an opium monopoly to force out competitors. Public opposition to such a course, however, forced Nanking to move cautiously. In 1931, Dr. Wu Lien-teh, who had represented China at the Hague Opium Conferences of 1912 and 1918, called for creation of a monopoly for the ostensible purpose of ultimately wiping out opium use. Behind this trial balloon was T. V. Soong, Minister of Finance, who secretly encouraged J. Heng Liu, head of the Opium Suppression Committee, to support the monopoly. Liu brought onto the Committee Wu Lien-teh and Li Chi-hung, former head of the Hankou opium monopoly. Nanjing also dispatched experts to Formosa and

Hong Kong to study opium monopoly administration. The government actually did establish a monopoly in 1931, but hastily abandoned it in the face of an outburst of abuse from the press. Garfield Huang of the National Anti-Opium Association of China called it "a glaring violation of the Government's anti-opium laws." However, T. V. Soong's powerful allies, including a number of Western-trained officials close to the Rockefeller Foundation (the "Oil Group"), still pressed for centralization of the traffic.<sup>16</sup>

On June 18, 1932, the Nanjing regime officially ordered all provincial and local officials to observe government laws prohibiting the sale and cultivation of opium. Nelson T. Johnson, the American Ambassador, called the move "pathetically naive and a little ridiculous. It was undoubtedly prompted by considerations of political expediency and a desire to impress the League [of Nations] Commission."<sup>17</sup> Also, the government hoped to distract its critics just before T. V. Soong's belated public announcement of support for a national opium monopoly, which he expected would raise an additional \$100 million in revenue. But once again the press denounced Nanjing's attempts to renege on previous assurances that opium would be forcefully suppressed.<sup>18</sup>

On June 27, 1932, Wang Jing-wei, President of the Legislative Yuan, joined the ranks of monopoly supporters.<sup>19</sup> Two weeks later, T. V. Soong, who had resigned the month before after failing to raise enough money for the Communist suppression campaign, hinted that he would return to office if a new source of revenue—such as opium—could be found.<sup>20</sup> He picked up the support of the influential H. G. W. Woodhead who, probably reflecting the sentiment of the British business community, argued that only such a monopoly could solve China's financial crisis. An opium monopoly was a small price to pay to protect the stability of China's business climate.<sup>21</sup>

Official opium sales agencies sprang up in a number of provinces. When Chinese anti-opium forces charged that laws were being broken, the Nanjing government made only perfunctory investigations. In preparation for a full-fledged monopoly, the government set up warehouses to store the vast quantities of opium accumulating at Anjing, Datong, and Wuhu. The Special Tax Bureau, not opium suppression officials, controlled the warehouses. In Hankou, focal point of the new monopoly, Chiang Kai-shek rescinded his previous orders forbidding opium smoking. Over one hundred opium dens reopened their doors, subject to taxation by the Nationalist military.<sup>22</sup>

T. V. Soong, once again Finance Minister, in January 1933 put the Hankou Special Tax Bureau under the jurisdiction of Chiang Kai-shek's General Headquarters as part of a larger effort by Nanjing to centralize its administration of the country. In February, the government handed complete control of all opium suppression operations directly to Chiang as Chairman of the Military Affairs Commission; the Generalissimo also controlled the River Police, who guarded opium shipments as they came down the Yangtze and foiled attempts by militarists to make independent shipments.<sup>23</sup>

Chiang next moved against the Forty-Eight Houses, the independent opium middlemen of Hubei province. Working through his agent Li Tsu-ch'eng, Chiang established at Hankou a General Warehouse to store incoming opium. He planned to monopolize the collection of opium and then license existing sellers and middlemen. The trade would carry on much as before, but with the government taking a good share of the

profits. Although Nanjing defended the scheme as a first step towards suppression, Li admitted, "The establishment of warehouses not only does not adversely affect the opium traffic, but it will afford various facilities."<sup>24</sup> The independent opium merchants at first resisted, but by May 1 Chiang's opium monopoly was in operation. Xin Min Bao reported from Hankou that month that "During the past month the opium merchants have benefitted by the facilities of the warehouse and the opium tax revenue has increased. Now General Chiang Kai-shek has formally appointed Mr. Li to be General Manager and has instructed him to establish branch warehouses at Yizhang, Shaxi, Laoheguo, Jiujiang, Anjing, and Wuhu..."<sup>25</sup>

Chiang's monopoly—officially referred to as "suppression"—was widely criticized. In Hubei, 100 Chinese signed an open letter attacking Ch'en Hsi-tseng, director of the Public Safety Bureau and local head of Chiang's terrorist Blue Shirt Society, for not enforcing the anti-opium laws. "This action not only disregards the proclamations," they charged, "but will lead our compatriots to death. This act is tantamount to permitting wild beasts to destroy human lives, and his evil intentions are unquestionable." The prestigious Tianjin daily, *Da Gong Bao*, upon learning of Nanjing's attempts to extend the monopoly into the Peking-Tientsin area, demanded to know "what policy does [the government] really hold concerning this big question of the destruction or the existence of the race? Can it be that it is because of the single word 'money' that this business is going forward so silently."<sup>26</sup>

Chiang did issue strict orders prohibiting the *cultivation* of poppies in several provinces under his control (to prevent local competition with his Hankou monopoly, which purchased from Yunnan and Sichuan). But he extended his distribution monopoly. In Fujian, branch offices of the Inspectorate for the Prohibition of Opium collected regular opium taxes; in Hubei, new branches of the Agricultural Bank of the Four Provinces (financed by opium revenues) acted as a clearing house for the new tax receipts. In Hankou alone, by the end of 1933, the Special Tax Bureau had collected well over \$16 million.<sup>27</sup> One expert estimated the income of all opium tax bureaus under Nationalist control at \$30 million each month.<sup>28</sup>

Chiang's regime grew increasingly bold in its public hypocrisy. On November 1, 1933, *Shun Bao* published the text of an order from the General Headquarters calling for a suppression of *unauthorized* trade in opium. It began with this admission:

*As the Headquarters of the Commander-in-Chief of the Anticommunist forces of Honan, Hopeh and Anhwei are enforcing the six-year opium suppression scheme, control is exercised over the sale, transportation and taxation of opium before the consummation of the scheme. Inasmuch as the income derivable from opium tax has long been the chief source of revenue from which the monthly administration expenses of Hupeh Provincial Government, and the Hupeh Dyke Construction and the emergency expenses of the anti-Communist campaign within the three Provinces are drawn, it has been designated as proper government revenue as distinguished from illegitimate extortion for selfish purposes so characteristic of the former militarist regime.*<sup>29</sup>

Indeed, opium prohibition bureaus in ten provinces under

Nanjing's control routinely delivered opium revenues to the Agricultural Bank of the Four Provinces for use by Nanchang Headquarters in anti-communist "bandit suppression" operations. Communist suppression came before opium suppression.<sup>31</sup>

In the spring of 1934, while the League of Nations held hearings on the world opium problem, Chiang publicly banned opium smoking in public dens. Opium consumption rose all the same. In the first five months of 1934, the official opium trade through Hankou amounted to 42,000 piculs, a substantial increase over 1933. (One picul = 133 lbs.) Annual revenue exceeded \$100 million, reinforcing the government's disinclination to suppress the traffic. As Walter Adams, American Consul in Hankou, argued:

*Inasmuch as the Nanking Government has for several years been piling up a mounting deficit by reason of Chiang's tremendous military expenditure, it is not believed that the latter is prepared to cut off a lucrative source of revenue such as he has in the opium monopoly merely for the promotion of the common good, even though he like other Chinese leaders is beginning to realize that some steps, as yet undefined, must be taken to check the progressive collapse of China's economic structure.*<sup>32</sup>

Opium, and the revenues derived from it, had become essential to the fabric of Chinese government and society. "In the central provinces of China, especially in Hubei and Hunan, nearly every government organization has come to depend on opium revenue for maintenance," observed one expert. "Even law courts, Tangpus (Kuomintang organizations), and schools are no exception." Thus in one locality, authorities charged one picul of opium \$320 for general taxes, \$32 for Communist suppression, \$3.20 for national revenue, \$1.50 for the Chamber of Commerce, \$2.50 for Special Goods (opium) Association fees, \$2.50 for the Hsih-tsun Girl's School, and \$7.00 for protection fees. Later, highway maintenance and more school taxes were added. When the opium finally reached Hankou, monopoly authorities added another \$920 tax. The original cost of the opium was only \$400.<sup>33</sup>

Western observers, some of whom were sensitive to the real difficulties of eradicating opium from China, were nevertheless dismayed by the open program of the Nanjing Government to exploit its own citizens while publicly blaming the foreign powers for China's narcotics problem. Thus H. G. W. Woodhead, a sharp observer of Chinese politics, commented with his usual understatement:

*It is rather curious to read in the newspapers on the same morning a report from one Chinese news agency stating that altogether 204 opium traffickers have been executed in China during the current year; from another that at present there are about 30,000,000 opium and drug addicts in the country; and from a correspondent in Poseh (Kwangsi) a description of the arrival in that city of a caravan carrying 1,800,000 ounces of opium, which was stored in the offices of the Opium Suppression Bureau until it had paid the required taxes, previous to shipment by motor boat to Nanning and beyond.*<sup>34</sup>

American officials, concerned that over 90 percent of the world's opium grew in China, were particularly critical of Nationalist policies. Some State Department officials were less

concerned that the drugs were entering the United States than that the opium trade was diminishing China's potential to absorb American goods.<sup>35</sup> O. Edmund Clubb, then a foreign service officer in China, objected to Chiang's use of the opium traffic to further his designs for a "Nazi" style dictatorship. Both Clubb and his colleague in Hankou, Walter Adams, emphasized the enormously corrupting influence of the opium trade on Chinese politics. Adams even charged that Chiang Kai-shek was breaking the anti-opium laws not just for military expenditures, but for personal enrichment as well.<sup>36</sup>

A study of China's narcotics situation in early 1935 written by an obscure American military attaché named Joseph Stilwell only confirmed these opinions. Stilwell estimated that half the population "regularly or occasionally partake of drugs" and that fully one person in five abused them. (Other estimates ranged from 7 to 70 million addicts.)<sup>37</sup> Heavy use of narcotics was physically debilitating, but Stilwell saw a more common, and insidious, effect: "The resulting indifference toward work, constructive thought and ambition, plus the inertia produced by the physical action of the drug, tend to reduce the social value of the victim more and more according to the degree of his addiction." Moreover, the opium traffic diverted resources from more productive economic sectors. Huge numbers of Chinese were employed in the growing, transportation, and retailing of opium; thus when Chiang Kai-shek cut into independent Sichuan opium production he forced 20,000 people out of work in Chengdu and Choneqing alone.<sup>38</sup>

Such conditions did not deter Chiang. On May 29, 1935, he abolished the Opium Suppression Commission and appointed himself Opium Suppression Superintendent. "This change is expected to simplify the administration but of course puts greater power than ever in the hands of the Generalissimo," commented an American diplomat. At least the change would simplify matters: "Persons connected with the opium suppression work have stated that it was difficult to have a suppression bureau while other bureaus were publishing regulations for the growing and taxing of opium."<sup>39</sup> J. Heng Liu, head of the disbanded commission, became Director of the Health Administration.<sup>40</sup> Old (and unenforced) regulations for opium suppression were discarded, and "suppression" officials talked openly of their duty to realize more opium revenue for the government.<sup>41</sup>

Even as Chiang attempted to extend his monopoly, he faced a new competitor: Japan. Areas of North China infiltrated by Japan were described by Stilwell as "one vast poppy field."<sup>42</sup> Cheap Japanese narcotics produced in Tianjin and Manchuria threatened to disrupt Chiang's planned opium sales network in the region.

Back in October 1935, Chiang sent an emissary to Tianjin to lay the groundwork for an opium suppression committee which would register (and collect fees from) all addicts and smokers. Work towards an official monopoly accelerated in late December 1935 when the government announced that clandestine trade would be suppressed by means of a tax on all imports and by forced storage of opium in public warehouses. The local monopoly agency expected to open no less than 50 official sales agencies in Tianjin alone, under the guise of "prohibition by means of taxation."<sup>43</sup>

The Peiping-Tientsin Opium Suppression Inspectorate was formally inaugurated on February 18, 1936. Without any

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pretense of restricting consumption, its rules for controlling the opium trade, in the words of the American ambassador,

*authorize the establishment of an unofficial opium monopoly similar to that which is now operating in the area under direct control of the National Government as a direct result of the program first initiated by Chiang Kai-shek in 1933. . . . evidently the Hopei-Chahar Political Council [in charge of the inspectorate] goes on the theory that it need adhere no more closely to the letter of the National Government's mandates of "opium suppression" than that Government itself does.*<sup>44</sup>

As a compromise with Japan—which could break the monopoly by smuggling its own product—the Peiping-Tientsin monopoly purchased its opium from nearby Rehe, opium shipping point for the Japanese opium monopoly in Manchukuo. American publisher John B. Powell observed that

*most persons regard [the Inspectorate] as a branch of the Manchukuo Opium Monopoly, as all supplies will come either from Jehol or areas further west which the Japanese now control. . . . This means that the Japanese, in addition*

*to their other acquisitions in North China in recent weeks have succeeded in obtaining complete control of the North China opium revenues, China's chief 'cash crop,' and that the amalgamation of North China with the Manchukuo Opium Monopoly will provide Japan with enormous revenues and economic advantage with which to control this section of the Chinese Republic.*<sup>45</sup>

But Ambassador Johnson pointed out that the Nationalists were sharing the new bounty through transport and consumption taxes and by relieving the central government of any administrative expenses it would face if the Hopei-Chahar Political Council were unable to find other revenues. Thus did Nanjing quietly cooperate with the "enemy" even while complaining of Japan's "narcotics war" in North China.<sup>46</sup>

Competition between China and Japan for revenues in North China did not disappear, however. On January 1, 1937, Chiang announced strict new laws aimed at punishing users of refined opium derivatives. Inspector Papp of the Shanghai Municipal Police explained the decree as part of "a contest between China and Japan for control of the drug and/or opium traffic in China." He explained that

### Opium and Famine

Peasants did not always cultivate the opium poppy by choice. Independent militarists frequently imposed high taxes on land ("lazy taxes") which forced peasants to grow profitable cash crops such as opium, rather than food. Peasant livelihood then depended entirely on the market; when prices fell but taxes remained high, peasants borrowed to meet their payments. Once in debt, the peasant could not revert to subsistence farming.

As a result of this process, millions of acres of land were taken out of food production. In food-short China, this reduced the margin of peasant survival. In a more localized sense, the problem was aggravated by poor transportation, since opium-exporting regions depended on reliable food imports. In China, local starvation was common even when other parts of the country enjoyed a food surplus.

Such forced cultivation of opium contributed to the massive 1925 famine in central China and to the 1934 Sichuan famine.<sup>1</sup> But the most notorious case of famine brought on by overcultivation of opium occurred in Shaanxi province between 1928 and 1933. It took as many as six million lives in four provinces, wiping out perhaps a third of the entire population of Shaanxi province.<sup>2</sup>

Edgar Snow reported on the role of opium in the famine:

*Shensi has long been a noted opium province. During the great Northwest Famine which a few years ago took a toll of 3,000,000 lives, American Red Cross investigators attributed much of the tragedy to the cultivation of the poppy, forced upon the peasants by*

*the tax-greedy militarists. The best land being devoted to the poppy in years of drought, there is a serious shortage of millet, wheat and corn, the staple cereals of the Northwest.*<sup>3</sup>

While most of the world remained ignorant of the massive starvation occurring in Shaanxi and neighboring provinces, the China International Famine Relief Commission, supported by American and British charities, stepped in to ease the peasants' plight. Under the direction of its chief engineer, Oliver J. Todd, the Commission organized a major irrigation project on the Wei-Bei river to irrigate farmland in Shaanxi and relieve the famine. Governor Yang Hu-cheng, who was quick to grasp the project's potential for strengthening his rule, put together a 5,000-man workforce which got the job done quickly.<sup>4</sup>

But the undertaking had some unexpected side effects. First, the irrigation project and related programs of road improvement simply shored up the power of local warlords, helping them control Communist guerrillas. Moreover, as the China International Famine Relief Commission itself observed in 1930, "Land during the famine of 1928-30 was bought at extremely cheap rates by landowners who, since that period, have realized fortunes by the execution of the Wei Bei irrigation project."<sup>5</sup>

Worst of all, the introduction of irrigation—at a cost of over \$1 million—actually encouraged more poppy production at the expense of food. Following the project, militarists forced peasants to grow poppies on most of the land; one observer estimated that eight out of every ten mou of land reached by irrigation had come under poppy cultivation.<sup>6</sup>

*the Chinese Government had a monopoly in the opium trade in China while Japanese subjects were dominant in the narcotic drug traffic. Therefore, the concerted efforts taken by China to eradicate the narcotic drug traffic and habit principally affected Japanese subjects whose traffic was on the decline; meanwhile, fearing extreme punishment if apprehended trafficking or consuming narcotic drugs, Chinese subjects were tending to turn from narcotic drugs to opium, with the result that opium consumption is being increased and Government revenues thereby benefitted.*<sup>47</sup>

Indeed, the new laws could hardly have been aimed at suppressing opium since soon thereafter Chiang appointed as Shanghai Opium Suppression Commissioner Chen Ling-yun, who had worked with the Blue Shirts in 1932 to destroy the National Anti-Opium Association and who later helped organize the official opium monopoly in Zhejiang.<sup>48</sup>

Japanese political and military successes in North China ultimately compelled Chiang to give up his hopes of fully controlling the opium trade in that region. He had greater success in breaking his Chinese competitors in the southwestern provinces.

## Opium and Regional Struggle in Southwest China

*By means of secure domination of the opium traffic [Chiang Kai-shek hopes] to increase the political power of the National Government over provinces whose allegiance is doubtful. . . . opium is the chief prop of all power in China, both civil and military. No local government can exist without a share of the opium revenues. If the central government can control the opium supply of a province, that province can never hope to revolt successfully.*<sup>49</sup>

*Joseph Stilwell report, 1935*

Chiang Kai-shek's maneuvers to monopolize China's narcotics traffic stemmed directly from his dream of unifying and bringing all of China under his personal control. To unify the country he needed to finance military operations against

the Communists and provincial warlords while undermining the financial base that supported his opponents. Opium provided the key. If Chiang could centralize the opium traffic at Hankou and suppress illicit opium cultivation in the outlying provinces, his political and military position would be tremendously enhanced. Chiang proceeded to test these tactics in his struggle with the Southwest China warlords in the period following the Northern Expedition of 1926-28.

By 1929, Chiang dominated the provinces around the lower Yangtze, but most other regions lay outside his grip. Generals Li Zong-ren and Bai Chong-xi exercised power in Hubei and Hunan, while Li Ji-shen controlled Guangdong. When these generals asserted their independence from Nanjing in 1929, the KMT Third National Congress called for their complete suppression and ordered a punitive expedition against Wuhan. After heavy fighting, Chiang defeated Bai and Li Zong-ren, forcing them to withdraw all the way to Guangxi Province, so far south that Nanjing could no longer challenge them. The southern provinces of Yunnan, Guizhou, Guangxi, and Guangdong thus remained independent. But as long as these provinces remained independent, with the rich port of Canton and the remittances of Guangdong-born overseas Chinese to finance them, the warlords would be a political threat.

The economies of the southwestern provinces depended heavily on opium: Yunnan and Guizhou as producers, Guangxi and Guangdong as shippers and consumers. Yunnan alone produced 100 million taels of opium a year, so much that it had to import much of its rice from French Indochina. Perhaps 40 percent of the adult males of Yunnan were addicts. The provincial government in 1931 raised 35 percent of its revenue from opium taxes, not including export taxes. Opium was, in fact, the principal commercial product of the provinces.<sup>52</sup>

Opium export from Yunnan was highly organized. When General Long Yun became Chairman of the provincial government in 1928, he made a fortune issuing new bank notes through the Fu Dian Xin bank. With the profits, he and the bank officials organized a central opium export firm, the Nan Seng company, with branches in Hong Kong, Shanghai, Hankou, Canton, Chengdu and Guilin, financed by the Fu

A missionary returning from Shaanxi in September 1933 reported that rain had finally fallen on the province, but that famine conditions were unrelieved due to the widespread cultivation of poppies. To prevent further disaster, the provincial government exported vast quantities of opium to the rest of China in return for food shipments.<sup>7</sup> A 1935 report on Shaanxi noted that "Since the advent of the irrigation system the production of opium has increased 27%. . . . In the past three years the amount of opium revenues collected is estimated at \$270,000 per annum compared with the income from cotton which is about \$180,000 per annum. At present about 32% of the fertile land is devoted to poppy cultivation."<sup>8</sup>

Thus opium proved as much a curse to the peasant growers as to the consumers.

## Notes

1. Walter Mallory, *China: Land of Famine* (New York: American Geographical Society, 1926), 80-81; "The Omnipotence of Opium in Fow-Chow Villages," *Agrarian China* (London: George Allen & Unwin Ltd., 1939), 125; Owen Lattimore, *Manchuria: Cradle of Conflict* (New York: Macmillan, 1932), 189-90.
2. Edgar Snow, *Red Star Over China* (New York: Random House, 1936), 205-7; Mark Selden, *The Yenan Way in Revolutionary China* (Harvard U. Press, 1971), 6.
3. Snow, 25-26.
4. Selden, 49-50.
5. Snow, 208.
6. *Peking & Tientsin Times*, 12 May 1932, 21 June 1932, 2 June 1932; *Chicago Daily News*, 27 June 1932; *China Yearbook*, 1931, 599.
7. O. E. Clubb, "The Opium Traffic . . .," 64.
8. NR "Poppy Cultivation in the Shensi Irrigation Area," 893.114 Narcotics/1340.



Dian Xin bank. Although the government faced some problems from smugglers, these arrangements proved successful: even in 1934, during the Depression, the Shanghai Branch of the Fu Dian Xin bank made a profit of \$1,500,000. By 1937, Yunnan opium dominated the Shanghai market.<sup>53</sup>

Yunnanese opium took four major routes: north into Sichuan for transport down the Yangtze river, through Guizhou to Jiangxi, through Guangxi to Guangdong, and through the port of Haiphong in Tonkin to the coast of China. Yunnan was famous for its gigantic caravans of opium. On February 23, 1930, a convoy of 2,350 coolies, 230 horses, and 365 soldiers left Yunnan to cross Guangxi. On April 30, 1931, an expedition arrived at Longzhou consisting of 10,000 armed coolies carrying 10,000 chests (390 tons) ordered by a trading firm in Canton. And in December 1933, one caravan allegedly brought 750 tons of opium to Poseh, the chief opium market in Guangxi.<sup>54</sup>

Transport by land was always dangerous and expensive. In 1933 a new route opened—by air. Guangxi and Guangdong provinces established Southwest Aviation Corporation to fly between Longzhou and Canton, both reflecting and reinforcing the independence of the southwestern provinces. The airline extended its services into Guizhou and Yunnan, linking the provinces together for the purpose of transporting opium. Yunnan authorities, to minimize weight, sometimes loaded the planes with morphine. The airline naturally proved highly profitable until the Japanese grounded it in 1938.<sup>55</sup>

Guizhou, like Yunnan, was a major center of opium production. The provincial government earned \$3,500,000 on an annual output of 7,500,000 taels. It raised another \$3,000,000 from consumption and transport taxes on Yunnan opium. Opium revenue accounted for up to one-half of the government's income. As in Yunnan, the provincial bank backed its note issues with opium. Thus opium played a key role in the politics of the province.<sup>56</sup>

Although Guangxi produced little opium itself, it earned considerable revenue by taxing opium shipped on its extensive road system from Yunnan and Guizhou to Guangdong, the major southwest market. This traffic accounted for between a third and a half of the government's revenue. One American intelligence report explained the role of opium in Guangxi's relations with Yunnan:

*During the year 1930, as a result of a hostile relationship between Kwangsi and Yunnan, General Lung Yun, Yunnan's military governor, prohibited the exportation of Yunnan opium into Kwangsi. The following year, Kwangsi's provincial finance was greatly affected and the situation soon became intolerable. Finally, the authorities of Kwangsi realized the necessity of reaching a compromise with Yunnan, and General Lu Tao, formerly a commander-in-chief of Kwangsi Army, was requested by Kwangsi authorities to proceed to Yunnan and negotiate for a truce. Through Lu Tao's able appeal and clever tactics, General Lung Yun of Yunnan agreed to export opium through Kwangsi on condition that the latter would undertake to disband the troops of General Hu Tze Chia whose rebellious army of Yunnan had sought refuge in Kwangsi. Since this request was carried out, the export of Yunnan opium through Kwangsi has continued and has become one of the chief sources of Kwangsi's revenue.<sup>57</sup>*

The Southwestern Political Clique, led by Bai and Li, derived their strength not only from their distance from Nanjing, but also from the relatively stable revenues opium provided. The existence of a large, independent opium market in Guangdong and nearby regions frustrated Chiang's efforts to undermine the clique.

Chiang saw his chance to move in the spring of 1935, when the Communists, forced out of Jiangxi, began their Long March to the west and entered Guizhou. Despite the efforts of the Guizhou militarists to draw support from Guangxi and Guangdong provincial forces, Chiang seized the excuse to move his armies into Guizhou and force a reorganization of the provincial government—and its opium monopoly—in line with his interests.<sup>58</sup> General Wang Jia-lie, governor of the province, fled south with his troops towards Guangxi when pressed by Chiang's armies.

Chiang hoped to force Guangxi into submission by diverting Guizhou opium away from the southern transit route

*in retaliation for Kwangsi's strong opposition to General Chiang Kai-shek during the past few years.*

*As Kwangsi depends almost solely for revenue derived from transportation taxes on Yunnan and Kweichow opium en route to the South China Coast, General Chiang's action has seriously handicapped the provincial government in the matter of revenue. Consequently Kwangsi has aligned herself with General Wang Chia-lie's troops against the Central Government and it is expected that if General Chiang persists in maintaining a blockade against opium through Kwangsi, actual warfare will take place between General Chiang and the Kwangsi troops.<sup>59</sup>*

Chiang sent his trusted emissary, Li Zhong-gong (a native of Guizhou), to study the provincial opium monopoly. After Chiang's armies conquered Guizhou, Li became Commissioner of Finance to manage the opium revenues.<sup>60</sup> With Li in charge, the Nanjing government ordered Guizhou opium diverted north to the Yangtze (for shipment to the Hankou monopoly) rather than through Guangxi; it also pressed Yunnan to follow suit. As Joseph Stilwell reported, "It was done with the intent of making Canton more tractable by reducing its sources of revenue and the result was highly successful." Guangxi began experiencing an economic crisis.<sup>61</sup>

Without control of Yunnan's opium exports, however, Chiang's leverage was limited. His orders to Governor Long Yun carried little weight when they conflicted with Yunnan's self-interest. Thus, against Chiang's express orders, the Yunnan opium monopoly in early 1935 made "enormous shipments" of opium through Guangxi and accumulated millions of ounces more in its stocks which, if exported through Guangxi, could undercut Chiang's plans.<sup>62</sup>

The Generalissimo tempted Yunnan into an alliance by providing alternative profitable transport routes and markets for opium. In April 1935, while his armies occupied Guizhou, the Nanjing government began a massive program of highway construction—not just for use against the Communists, as one American diplomat stationed in Yunnan explained:

*It is reported that military labor is being utilized in the construction of highways radiating from Kweiyang to Szechuan, Yunnan and Hunan. [Chiang Kai-shek] appeared to be particularly anxious to complete the Yunnan, Kweichow, Hunan highway as soon as possible. The eastern*

*terminus will be Hengchow, in Eastern Hunan, where it will connect with the as yet uncompleted Hankow-Canton Railway. . . . It will furnish a new and convenient route for the opium caravans from Yunnan to centers of consumption at Hankow and Canton. It will then be quite possible for them to avoid Kwangsi altogether, and Nanking will be in a position to exert considerable pressure on the hitherto recalcitrant rulers of that province who derive fully 50 percent of their revenue from transit taxes levied on opium caravans from Yunnan and Kweichow.*<sup>63</sup>

Chiang completed the Yunnan-Guizhou highway in autumn 1935. However, unbeknown to the Generalissimo, Guizhou began charging such high taxes on the Yunnan caravans that Yunnan authorities realized no profit at all on that route. Guangxi learned of this predicament and secretly negotiated a large reduction its transit tax to induce the Nan Seng company (in charge of official Yunnan opium exports) to change its shipping route. When Chiang learned that the two provinces had signed a treaty, threatening all of his schemes, he fired Li Zhong-gong as Commissioner of Finance.<sup>64</sup> Soon the squeeze began again.

Although Guangxi continued to receive some opium from the nine counties of Guizhou it controlled, "the amount is very much less than before and Guangxi and Guangdong suffer tremendous loss in this respect," an American narcotics expert noted in mid-1936. "It is, therefore, true that opium revenue plays an important part in the present dispute between Kwangtung-Kwangsi and Nanking."<sup>65</sup> Guangdong collapsed in July 1936, and Guangxi gave in shortly thereafter.<sup>66</sup>

Chiang had succeeded through his "opium blockade" in strangling the Southwest Clique financially. The abortive 1936 Guangxi revolt reflected in part the desperation of the southwestern warlords. From this point on Nanjing exercised control over both the opium traffic and the politics of central and southern China.<sup>67</sup>

## Chinese Opium and the International Market

*One of the results of the development of an organized drug traffic in China is the increasing export of opium and its derivatives (morphine and heroin) from China to foreign countries, including the United States. It is reported that important members of the international drug ring now reside in Shanghai to control this traffic. It is not known whether or not Chiang Kai-shek's organization has connections with the international ring, but in view of his old connections with the Ch'ing-Hung Pang (Shanghai underworld gang dealing in everything from opium to blackmail to assassination) it is thought entirely possible.*<sup>68</sup>

*U.S. Consular dispatch from Hankow, 11 April 1934*

China's emergence in the twentieth century as the world's leading opium producer fundamentally transformed the structure of the world narcotics traffic. With an output of more than 12,000 tons annually, China dwarfed all other producing countries combined. The small fraction of Chinese opium that entered international markets hit the consuming countries like a flood. By the late 1920s China was a net exporter of opium, and within a few years it replaced the Near East as the world's opium smuggling center. By the mid-1930s,

Chinese heroin dominated the American market, which may explain the obvious concern with which officials in the Department of State and Bureau of Narcotics kept tabs on opium developments in China.<sup>69</sup>

As early as the 1920s, British authorities in Hong Kong seized an average of about 20,000 taels of Chinese opium illegally smuggled into the colony each year; no one knows how much more made it past the customs authorities. In the first ten months of 1931, customs officials in Macao seized 19,900 taels of Chinese opium. Clearly, China could not confine within its borders the vast quantities of opium it produced.<sup>70</sup>

The U.S. Bureau of Narcotics reported in 1931 that most of the opium smuggled into the United States entered Pacific ports such as Seattle and San Francisco. The exact source was unknown, but the "greater bulk" was "manufactured and packed somewhere in the Far East. . . ." <sup>71</sup> The traffic was almost impossible to stop because, in the words of one agent, "the smuggling of opium into the United States is conducted on a huge scale by well organized highly financial [sic] gangs."<sup>72</sup>

In 1933, opium seizures in the U.S. doubled those of 1932, thanks to a "marked recrudescence" of opium smuggling and smoking. By now the Bureau of Narcotics knew that "Practically all of the prepared opium seized came from China," and expressed concern that Chinese opium production was on the rise.<sup>73</sup>

Even more serious, the Bureau of Narcotics discovered by 1933 that "heroin manufactured clandestinely in China and Darien is also entering the United States in considerable quantities. . . ." <sup>74</sup> By 1935 most of America's heroin originated in Shanghai and Tianjin laboratories.<sup>75</sup> Harry Anslinger, head of the Bureau, reported in 1934 that Chinese heroin production had "increased tremendously":

*further, confidential police information and statements of traffickers indicated that a considerable proportion of this heroin was being smuggled into the United States, either directly from the Far East or by transshipment from European ports. Although in 1934 a number of notorious international narcotics traffickers transferred their headquarters from China, Darien and Manchuria to Europe, most of them continued to maintain contact with former associates in the Far East. These persons were reported to be actively engaged in smuggling heroin into the United*

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*States, and confidential police information indicated that their sources of supply were in China, Darien and Manchuria. Other notorious foreign traffickers remained in China, keeping in touch with heroin smugglers in the United States, and certain Chinese traffickers . . . were known to continue to be immune from prosecution . . .*<sup>76</sup>

Even as America bore the brunt of this international traffic, China insisted before the League of Nations that its narcotics problem still resulted from foreign smuggling into China. The United States, in response, attempted to shame the Nanjing government into action by publishing its findings on China's own responsibility with the additional comment: "The American Narcotics Administration regards this development with acute anxiety and looks to the Chinese National Government to take more effective action to curb the smuggling . . . of prepared opium out of China, and to reduce the cultivation of the poppy in China, at least south of the Great Wall."<sup>77</sup> In private, American diplomats told Chinese officials "that the American Government was greatly concerned over the apparent increase in smuggling of prepared opium from China to the United States and the large quantities of manufactured derivatives of opium supposed to be in China available for smuggling to the United States."<sup>78</sup>

But the situation only worsened; neither the Chinese government, which profited from opium, nor the Japanese, who manufactured heroin in North China, were willing to suppress narcotics merely to please the United States. In a single seizure in 1936, American officials took 54 pounds of heroin from a Chinese passenger on a Hong Kong vessel; the drug had been refined in Tianjin (probably in the Japanese concession) and packed in Shanghai. Customs officials that year also discovered large quantities of Chinese "red pills"—mixtures of morphine, strychnine, and other drugs meant for smoking. Although street prices doubled following the outbreak of the Sino-Japanese war, narcotics officials reported that "heroin continues to be brought to the United States from Tientsin, via Shanghai, Marseilles, and Cherbourg." Some of the opium smuggled in even bore the official stamp of the Shanghai Opium Suppression bureau.<sup>79</sup>

The flow of Chinese opium into the U.S. during the 1930s was encouraged by the easy availability of narcotics in such international ports as Shanghai and Tianjin, the willingness of Chinese seamen to smuggle opium in small consignments, and above all, by the high profits. But without the active connivance of many Chinese officials, the traffic could hardly have been sustained on such a large scale.

In 1934, for instance, the Bureau of Narcotics heard that the Director General of Chinese Posts, Wong Nai San, had attended a meeting of Pacific Coast opium dealers held in San Francisco, allegedly as a personal representative of Chiang Kai-shek. The Bureau later learned that other high-level postal, customs, and military officials in the Nanjing regime were part of a major drug ring led by Japanese, Formosan, and Chinese racketeers based in Fujian and Shanghai, in league with the Shanghai secret societies. According to one report, Chiang Kai-shek himself condoned or even backed the operation.<sup>81</sup>

Frequently, Nationalist officials personally smuggled narcotics. Many took "official" trips to the United States during the 1930s ostensibly to inspect American advancements in the aviation industry, mining, finance, or the postal service. They took advantage of the special courtesies offered them as

officials to bring narcotics into the country. Since a number of these officials received no expense allowance, American narcotics representatives in China openly wondered at the source of their income until this ploy was discouraged. Chang Siao-loh, who visited Europe and America in the early 1930s as head of China's Industrial Mission, was known to have transacted considerable business in narcotics.<sup>82</sup> Among the worst offenders, however, were Chinese consular officials in North and South America, many of whom had ties to international drug rings in China and who exploited their contacts in local Chinese communities and secret societies. The Nanjing Government's Consul General in San Francisco, Huang Chao-chin, only barely avoided conviction on narcotics charges in the late 1930s. He subsequently became a member of the KMT Central Committee and chairman of the First Commercial Bank of Taiwan.<sup>83</sup>

Within China, of course, international drug rings cultivated contacts among Nationalist officials. Wong Sui, the leading Cantonese opium merchant in Shanghai, customarily sold about \$400,000 worth of opium a year to his American contacts, primarily in New York and San Francisco. He received his supplies from none other than Tong Hai-ong ("Tommy" Tong), Superintendent of Chinese Maritime Customs in Shanghai, who owed large gambling debts to Wong. In December 1934, for example, Tong turned over to Wong 4,000 pounds of Opium, worth \$120,000,000 (Chinese) at Shanghai, which Wong prepared and packed, tripling its value. Tong, described in an intelligence report as a "former protégé of T. V. Soong," had simply delivered over previously confiscated opium. One Bureau of Narcotics informant alleged that "H. O. Tong is acting as agent for Chiang Kai-shek in arranging for the preparation and shipment of the stuff to the United States."<sup>84</sup>

Of course, Chinese were not the only participants in the China-based narcotics traffic. Even after massive Western smuggling into China ended, British and American steamship companies regularly carried loads of opium down the Yangtze under the averted eyes of Chinese officials. In 1914 a Shanghai newspaper reported that "practically every foreign bank is involved" in narcotics.<sup>85</sup> Fifteen years later, American officials suspected National City Bank (which leased its Cuban racetracks to Meyer Lansky) and other "reputable banking institutions" of financing drug transactions or acting as middlemen in the transportation of the physical drugs.<sup>86</sup>

One of the biggest Western smuggling rings was led by Shanghai-based Judah and Isaac Ezra. Edward Ezra, their brother, headed the Shanghai Opium Combine (an organization of Western opium merchants) before he sold his property to the U.S. Government in 1915.<sup>87</sup> The Ezra brothers' operation first came to light in 1924 when someone hijacked one of their huge opium shipments from Turkey and news leaked out.<sup>88</sup> Their downfall followed a routine narcotics arrest in April 1933 which led U.S. narcotics agents to Judah Ezra, who had arrived in San Francisco a few months earlier to do business for a narcotics factory processing drugs from the Far East. Police arrested Judah and his brother in mid-May. Agents discovered an entire warehouse full of drugs possibly worth \$50 million. Sentenced to 12 years in prison and a \$12,000 fine, both were released in 1940. Judah returned to Japanese-occupied China. Their case drew attention again in 1947 when workmen renovating a building owned fifteen years earlier by the Ezras discovered a huge stash of narcotics

hidden in the ceiling. As late as 1954 the Bureau of Narcotics accused Judah of supplying a large narcotics ring out of Hong Kong.<sup>89</sup>

The Ezra brothers' chief Shanghai collaborator was Ye Ching Ho (alias Yih Tsing Pao, alias Paul A. Yip, alias Paul Yap). Ye held a share of the Ezras' narcotics front, the Dahloong Tea Company, and headed the United Drug Company which supplied narcotics to the ring. Ye handled the finances of this operation through K. P. Chen's Shanghai Commercial & Savings Bank (which bankrolled Chiang Kai-shek during the Northern Expedition).<sup>90</sup>

Ye Ching Ho's narcotics record dated back to 1925, when a Chinese court in Shanghai convicted him of trafficking in opium and sentenced him to 18 months in prison. In June 1932 he was arrested for operating a morphine factory in Shanghai. While out on bail the Ezra case broke and Ye was forced to flee.<sup>91</sup>

Ye emerged in 1934 as Managing Director and chief shareholder in the Amoy-based Lu Tung company, capitalized at \$300,000. In mid-1934 the Fujian Opium Suppression Office turned over to the Lu Tung company the provincial opium monopoly. Ye proceeded to establish so many new smoking houses that they outnumbered the rice shops.<sup>92</sup>

Ye imported much of his opium from the Hankou Opium Suppression Bureau. This pleased Chiang Kai-shek, who overlooked Ye's record as an international smuggler. The only "suppression" Chiang wanted to see was of local Fujianese opium, to prevent competition with Hankou opium.<sup>94</sup>

Under Ye's guidance, the Fujian market grew so fast that newsupply sources were needed. In league with other traffickers, he imported red Persian opium into the province (usually on Douglas Line steamers). Much of this flavorful opium he converted into morphine.<sup>95</sup>

Ye also purchased opium from the Japanese, who played a major role in the Persian opium trade in the Far East. In 1934, Ye visited the Formosan opium monopoly bureau to purchase thousands of chests of Persian opium. Japan hoped to unload the opium following its embarrassing discovery by League of Nations officials, and in the process raise money to finance the Japanese army. Ultimately Ye became so closely allied with the Japanese that he became a naturalized Japanese citizen (under the alias Nakamura Tarō), presumably to protect himself from Chinese law. With such connections, he forced even the well organized Formosan *rōnin* smugglers to cooperate with him.<sup>96</sup>

Ye Ching Ho did not neglect international operations. Apparently Ye, in his Shanghai days, had become a good friend of the notorious Shanghai gangster leader Du Yue-sheng, whose factories flooded the American market with narcotics. Moreover, Ye operated a major drug ring with Dr. Lansing Ling (of Leubbert's Pharmacy) and Dr. T. Chan (of Lester Chinese Hospital), whose connections in the Chinese Navy proved valuable. Lansing Ling supplied narcotics to Chinese officials travelling abroad, such as Huang Ching-tao, head of the Department of Mining in the Nanjing Government's Ministry of Interior who visited the U.S. in 1934.<sup>97</sup> In 1938 Ling became head of the Narcotics Control Department of the National Health Administration thanks to his friend Dr. F. C. Yen, Director of the National Health Administration following the resignation of Dr. J. Heng Liu on corruption charges. (Until Japanese troops occupied the city, Yen had been a member of the Shanghai Opium Suppression Com-

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mittee and a business partner of Ling in the narcotics traffic).<sup>98</sup>

Ye himself continued to profit handsomely from ever-increasing opium sales in Fujian. He also gained control of

the salt monopoly.<sup>99</sup> He lost favor with Chiang Kai-shek, however, by selling Japanese morphine rather than Hankou opium, and was forced to flee when full-scale war broke out between Japan and China in 1937. Soon he was back working for the Japanese.<sup>100</sup>

Not surprisingly, American-organized crime also had a hand in the international traffic based in China. Arnold Rothstein, perhaps the premier American crime figure of the early twentieth century, was probably the first American to organize a major smuggling ring from China to the United States. A financial genius and constant innovator, Rothstein was best known for his "fix" of the 1919 World Series. He made a fortune from gambling, loan sharking, bootlegging, extortion, prostitution, labor racketeering, and narcotics. Rothstein launched the careers of such men as Charles "Lucky" Luciano and Louis "Lepke" Buchalter.

As early as 1925, Rothstein had a small fortune tied up in international narcotics operations. He used to good advantage the network of criminal contacts he developed in Europe while beating Prohibition. In 1925 Rothstein sent one of his agents, Sid Stajer, to China, Formosa, and Hong Kong to make drug buys for the American market. Another Rothstein agent, George Uffner, followed in 1926. Uffner later became a drug purchaser for Luciano and Frank Costello.<sup>101</sup>

Luciano and Buchalter took over Rothstein's narcotics operations in 1928 when he was assassinated by a rival. For supplies, Buchalter turned to the notorious Eliopoulos ring operating out of Paris. In 1928, Elie Eliopoulos, a Greek national, travelled to China to study the narcotics traffic, and apparently became convinced that large profits could be made. He returned to Paris with a signed contract with John Voyatzis, a narcotics trafficker in Tianjin. With his brother George, Elie proceeded to monopolize most of the world's narcotics distribution by 1929-31. His ring smuggled literally tons of opium and morphine into the United States. Their Paris headquarters held stores of thousands of kilos of opium, heroin, morphine, and cocaine. In eight months alone, Voyatzis remitted to Paris a quarter of a million pounds, through the American Express Company, Chase National Bank, and National City Bank.

The Eliopoulos brothers maintained their near-monopoly by denouncing rivals to the authorities. The strategy backfired in 1931. An Eliopoulos intermediary, David Gourievidis, lost £50,000 worth of opium in a Shanghai opium seizure which he suspected had not been accidental. He denounced the Eliopoulos ring to the French police. Elie was arrested in 1932 a few months after American authorities captured his confederate, August Del Gratio. Although Del Gratio was convicted, the Eliopoulos brothers found a haven in Greece (thanks to their citizenship), then fled to North Africa, and finally to the United States during World War II, where they finally were arrested and convicted. As one narcotics official rejoiced in 1931,

*The smashing of the ELIPOULIS organization is believed to be the heaviest blow ever struck in the campaign against the illicit narcotics traffic. Its effects are bound to be far reaching; it means that an entirely new organization will have to be built up in Europe; or new methods devised in order to supply the American market.*<sup>102</sup>

The new rings did not take long to emerge. The Luciano syndicate approached members of the Hip Sing Tong in New

York and gained the cooperation of the national organization in smuggling narcotics. The Tong members obtained refined European narcotics from the Mafia partners of top Luciano lieutenant Thomas "The Bull" Pennacio in return for raw Chinese opium. It took Federal narcotics officials two years to penetrate the secret society, but in 1937 they smashed the ring, said to be the largest in the United States. The government obtained convictions of Ye On Li, president of the Hip Sing Tong, the head of Montana's Chinese communities, and prominent Tong members in Chicago, San Francisco, New York, Pittsburgh, and other cities.<sup>103</sup>

Another major narcotics ring centered around Louis Buchalter and Meyer Lansky aide Jasha Katsenberg, a one-time bootlegger and narcotics supplier for Arnold Rothstein. Katsenberg and his confederate Jacob Lvovsky sent emissaries to Shanghai to purchase heroin. From there, they shipped the drugs to France and then to New York, where Buchalter's organization took over. In the space of a year and a half they smuggled 648 kg. of pure heroin into the U.S., enough to satisfy 10,000 addicts for a year.

Katsenberg developed the novel technique of smuggling drugs in the baggage of ostensible "around-the-world" tourists. So great was his notoriety that a League of Nations committee called him an "international menace." But before he had a chance to test out any new techniques, he and his fellows, including Lepke, were indicted. Buchalter escaped capture until August 1939, after which he was convicted for narcotics, murder, and anti-trust violations. Buchalter was executed on March 4, 1944.<sup>104</sup> These convictions, and the onset of World War II in the Pacific, marked a temporary end to the involvement of American organized crime in narcotics smuggling from the Far East.

All of these international traffickers displayed unusual ingenuity and enthusiasm in their line of work. But none could match the extraordinary success of China's leading criminal organization which for years enjoyed the protection of Chiang Kai-shek's regime for its nationwide opium smuggling activities. Crime and politics in China became inextricably linked with the issue of opium.

### Opium and the Politics of Gangsterism in China

The complexity of politics in the Nationalist period reflected the diversity of power centers in China: the landed gentry, the coastal commercial and comprador elite, the Western-educated "modernizers," and the communists. But there was another political force in China that played a critical role: the organized underworld, dominated by the Green Gang (Qing Bang—also Ch'ing Pang), China's most powerful secret society. "The influence of the Ch'ing Pang upon Chinese politics is very great, and can hardly be overestimated," wrote one respected newspaper in 1934:

*It has figured, directly or indirectly, in almost every political upheaval, local disturbance, or labour agitation. Towards the close of the Ch'ing Dynasty, Dr. Sun Yat Sen and General Huang Hsing sought to enlist the support of this powerful Society for the revolutionary movement, but without any great success. After the Revolution of 1911 the Peiyang militarists were able to induce a number of 'Green' men to support them, and with the assistance of this group dominated the southern part of the Yangtze Valley for more than ten years. In 1924 the Kuomintang*

*leaders in Canton, desirous of enlarging their sphere of influence, again found it necessary to make use of this organization in launching the Northern expedition, and it is now an open secret that the Ch'ing Pang rendered great service to the cause of national unity under the guidance of the Kuomintang.*<sup>104.5</sup>

The story of the Green Gang is really the story of opium.

The origins of the Green Gang, like all Chinese secret societies, are murky. According to most accounts, it was organized in the early 18th century to protect laborers and rice transporters along the Grand Canal from bandits and pirates. During the Taiping rebellion, when the Grand Canal fell into disrepair, its members scattered, later to regroup along the Yangtze. After the fall of the Qing dynasty, its name became Qing Bang (“qing” now referred to green, not the dynasty).<sup>104.7</sup>

The Green Gang became a major force in Chinese politics—and crime—under the leadership of Huang Chin-jung (“Pockmarked Huang”), a wealthy businessman, opium merchant, and chief of detectives in the Shanghai French Concession. Huang built the society into a citadel of organized crime, notorious for its control of gambling, opium, gold smuggling, prostitution, kidnapping, extortion, and murder. Hundreds of thousands of laborers, merchants, and officials cooperated with its schemes. Politicians, military officers and businessmen joined for the power and protection it could bring. Businessmen, awed by its tight control of wharfmen, workers, and gangs of armed thugs, paid for protection and did the Green Gang’s bidding.

The Green Gang’s influence centered on the Yangtze basin, extending as far west as Chongqing. But its power reached its height in Shanghai, that island of Western-dominated affluence in a sea of Chinese poverty. The environment of dependent capitalist development that reached its most exaggerated and uncontrolled form in Shanghai fostered the growth of this criminal society. The gang’s rise to power was not accidental, but reflected the easy wealth and aggressive, frontier spirit of wealth accumulation that pervaded the city. Like its more respectable counterparts in the Chinese commercial community, the Green Gang seized the opportunity to appropriate Shanghai’s riches without producing any of its own. Its unprecedented success in this enterprise made the Green Gang the dominant force in Shanghai, and one whose influence extended to other parts of China as well.

The Green Gang’s power extended beyond the financial and human resources at its immediate disposal, for it magnified its power by making alliances with politicians. The Green Gang understood well that social reformers and Communists would attack its power, expropriate the wealth it tapped, and create alternative labor organizations; rightist politicians, anticommunist in ideology and grateful for financial support, turned naturally to work with such grass-roots organizations as the Green Gang, capable of controlling labor and wielding political clout in the big cities. In return for protection of its rackets, therefore, the Green Gang joined rightist politicians in destroying rival leftist political movements. Such alliances of crime and right-wing politics have played important roles most notably in the United States, France, and Japan, but they reached their most exaggerated form in Republican China.

While the Green Gang reigned supreme in the field of

crime, its political power was originally limited by the absence of a strong central government through which it could exercise influence. The rise of Chiang Kai-shek as unifier of China changed all that and led to the most extraordinary alliance of criminals and politicians in Chinese history.

Chiang’s ascent to power began in 1906 when he met General Chen Ch’i-mei (whose nephews later formed the powerful right-wing CC-Clique). Chen introduced Chiang to Sun Yat-sen after Chiang joined the revolutionary society, the Tong-meng-hui. Chen had tremendous influence within the Shanghai secret societies, which he delivered to the cause of the Revolution in 1911.

Chiang returned to Shanghai sometime soon after 1911 (the dates are uncertain). With backing from millionaire banker-merchant Chang Ching-chiang and Green Gang associate Yu Ya-ching, a banker and “premier of the Chinese comprador world,” Chiang became a Shanghai stockbroker and commodity exchange trader. Most importantly, he was introduced to Huang Chin-jung, who initiated Chiang into the realm of the Shanghai underworld. Shanghai police records reportedly listed Chiang as a criminal associate of the gang.<sup>105</sup>

The political alliance between Chiang and the Green Gang became crucially significant in the mid-1920s, when Chiang took over leadership of the KMT following Sun Yat-sen’s death. Almost immediately, the Green Gang began aiding the KMT’s search for reliable allies, and helped transport Chiang’s emissaries up the Yangtze, through warlord territory, to Shanghai.<sup>106</sup> In November 1926, Huang Chin-jung travelled up-river to meet the Nationalist forces in secret, to re-establish contact between the KMT and the Shanghai commercial elite. Huang offered Chiang the formidable support of his society in return for the destruction of communism and an end to foreign business competition in China.<sup>107</sup> Following this conference, Chiang decided to oppose the Left-KMT as well as the communists.<sup>108</sup>

Chiang arrived in Shanghai on March 26 at the head of his National Revolutionary Army. Already communist-led strikes paralyzed the city; 150,000 workers were in the streets in a massive show of force.<sup>108</sup> The Shanghai bankers and merchants, terrified at the thought of a communist insurrection, demanded that Chiang crush the communists in return for financing which the KMT required. The first person to call on the General when he reached Shanghai was Huang Chin-jung, representing the Shanghai capitalists now as head of the Federation of Commercial and Industrial Bodies. Huang offered Chiang huge loans in return for a promise to break the unions. Altogether, the bankers advanced Chiang three loans, totalling \$48 million.<sup>109</sup>

The Shanghai Green Gang leadership—Huang Chin-jung, Chang Hsiao-lin, and Du Yue-sheng—began preparing for the day when Chiang’s armies would actually occupy the city. Du Yue-sheng, a former fruit vendor who rose to the top of the Shanghai underworld thanks to his extraordinary organizing ability and his friendship with Huang, consolidated the Shanghai secret societies into an anti-communist front called the Common Advancement Association, with the approval of Western officials. Then, in opposition to the leftist General Labor Union, he helped sponsor a gangster-dominated “Worker’s Trade Alliance,” managed by Chang Hsiao-lin’s secretary and head of the Shanghai KMT Political Department, Chen Chuen. By March and early April, the Green Gang and KMT agents were busy assassinating key labor union officials

and disrupting strike activities in cities occupied by the Nationalists, preparing for the showdown in Shanghai.<sup>110</sup>

To thoroughly "clean up" the city, the Green Gang needed more arms and ammunition. Thanks to Chiang, the French Concession authorities, and Stirling Fessenden, the American in charge of the International Settlement, the Green Gang forces received five thousand new rifles, and the unprecedented right to transport their men and weapons through the International Settlement.

Early in the morning of April 12, armed gangsters wearing white armbands, led by Chang Hsiao-lin, passed through the International Settlement. They "fell upon and shot down the Communists," in the words of George Sokolsky, and initiated a reign of terror and bloodshed that took the lives of over five thousand workers, destroyed the Communist leadership, and smashed the Shanghai General Labor Union. Green Gang "execution squads" dealt so efficiently with their enemies that independently organized labor never fully recovered in the city as long as the Nationalists remained in power.<sup>111</sup> The "white terror" broke the back of the Communist strategy of winning the cities and ultimately forced them to retreat to the countryside.

In recognition of the Green Gang's contribution to the success of the Northern Expedition, Chiang Kai-shek hastened to confer titles and favors on the major gang leaders. Immediately following the Shanghai massacres, Chiang made all three—Du Yue-sheng, Huang Ching-jung, and Chang Hsiao-lin—"Honorary Advisors" with the rank of Major General. In this way, the Generalissimo formally recognized their power, legitimized their position, and gave them an enormous boost in status.<sup>112</sup>

Chiang made more substantive concessions to the Green Gang leaders as a reward for their service. In 1927 the Nationalist Ministry of Finance began organizing an official opium monopoly to raise revenue from areas of China captured by the KMT armies. The National Anti-Opium Bureau extended the monopoly into the Zhejiang-Jiangsu area on August 20, 1927. Immediately, however, the scheme ran into opposition from the Da Gong Si, Du Yue-sheng's company that handled most of the city's opium sales. Within about two months, the Nationalists disbanded the official monopoly and turned over opium rights to a subsidiary of the Da Gong Si, the Zi Xin Company. Nationalist military authorities even guarded a shipment of 502 cases of Persian opium imported by Qing Bang leaders for sale in Shanghai.<sup>113</sup>

The pattern of cooperation between Chinese naval and police officials with the Green Gang, sanctioned by the Nanjing regime, only strengthened with time. In 1930, according to reliable Shanghai police reports, Finance Minister T. V. Soong arranged with Du Yue-sheng to deliver 700 cases of Persian opium to Shanghai, under Chinese military protection. The Navy and Finance Ministry received fees for arranging and protecting the shipment; Du received the profits through his sales organization. It was hardly surprising, in the words of one British official, that "the settlement police increasingly feel that their work of opium suppression is an expensive, thankless and rather humiliating farce . . ."<sup>114</sup>

To satisfy Du Yue-sheng's hunger for status and keep the Green Gang on his side, Chiang appointed Du in May, 1931, to the post of Chief Communist Suppression Agent for Shanghai. Chiang honored all three Green Gang leaders by inviting them to attend the anti-communist National Emergency Conference

at Loyang in April, 1932. Even Du Yue-sheng's personal secretary was given important responsibilities by the Nanjing regime.<sup>115</sup>

Proof of the rising status of the Green Gang leadership came in June, 1931, when Du Yue-sheng opened an ancestral temple at his birthplace near Shanghai, across the Whangpoo river in Kaochiao village. Altogether, eighty thousand visitors came to pay their respects to Du during the three day extravaganza. Thousands of fellow gangsters, businessmen, and high government officials joined the procession through the city to his temple. British, French, and Chinese police and military units took part. Besides \$600,000 in gifts, Du received eulogistic scrolls from Chiang Kai-shek, Wang Jing-wei, Zhang Xue-liang, Foreign Minister C. T. Wang, and Shanghai Mayor Chang Chun, among others. Operatic troupes and major artists attended the festivities in honor of the man *North China Daily News* now called "the Chinese philanthropist."<sup>116</sup> Ironically, it was at this sacred temple that Du chose to locate his largest Shanghai morphine factory.<sup>117</sup>

American officials were naturally disturbed by Du Yue-sheng's unusual access to the highest levels of government in China. One American diplomat stationed in Nanjing, observing that Chiang always met with Du when visiting Shanghai, questioned a Chinese official about their relationship:

*The informant stated that "of course" Tu had called on General Chiang; that as a matter of fact whenever General Chiang went to Shanghai the first thing he did was to send Tu his card; that while Chiang "used to be a gangster himself," the present relationship between the two men involved merely an arrangement whereby Tu and his gangster colleagues were to keep the Communists and other lawless elements in order, in return for freedom of action with respect to what can best be described by the American slang term "rackets" connected with gambling, the opium traffic, and vice.*

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There was nothing very mysterious about their friendship; each could supply the other with an important source of power. Moreover, they respected the history of their mutual dealings. As Hu Shi once pointed out as justification for Chiang's alliance with gangsters, "General Chiang owed to Du the fact that he was able . . . to control the communist group at Shanghai. It is a simple fact of life," he continued, that "in politics one of the first axioms is that you must stick by your friends. Du had been a friend to Chiang then, and Chiang was a friend to Du now."<sup>118</sup>

Occasionally, however, the Nanjing government required a reminder of its Shanghai ally's strength and independence. In May 1931 Chiang called Du to a conference in Nanjing, where the Generalissimo offered the Shanghai boss \$1,000,000 to organize an extensive Communist suppression program in an area under Green Gang domination. But then the two men reached an agreement on the establishment of a government opium monopoly to magnify the already immense profits from the opium traffic. The Green Gang, which already operated the country's most extensive and best organized smuggling ring along the Yangtze river, would take a share of the profits and have a say in appointing the monopoly officials, as well as enjoying full official protection. In return, the secret society paid the Nanjing government 6 million yuan. Yet the opium monopoly T. V. Soong set up in 1931 lasted only briefly. When Green Gang leaders angrily demanded their money back, Soong overplayed his hand and offered them only worthless public bonds. Soon thereafter, an unknown assassin widely assumed to be one of Du's agents nearly killed Soong in Shanghai; the aide accompanying Soong was less lucky. Du and Soong soon became reconciled, however. Later, when Nanjing did establish a permanent monopoly, Chiang appointed Du to head the Shanghai Opium Suppression Bureau!<sup>119</sup>

Du and his allies faced a more formidable challenge from the Japanese. Between January and April 1932, the Japanese military attempted to seize Shanghai. Their attack provoked stiff Chinese resistance and an intense and bloody struggle ensued. Du Yue-sheng rallied his "army" of followers and organized urban guerrilla warfare. His snipers cut down the Japanese in the streets, and Green Gang forces even damaged the Japanese Navy. In conjunction with another secret society, the Hong Bang or Red Gang, Green Gang leaders formed the Shanghai Citizens' Emergency Committee to provide relief to war victims. Du also sponsored the campaign to supply the Chinese Nineteenth Route Army with arms and ammunition with which to carry out its stubborn and successful resistance (even as he allegedly sold the Japanese rice and flour on the side).<sup>120</sup> Perhaps Du's aid to the army went beyond mere patriotism, for the Nineteenth Route Army was notorious for its extensive trafficking in opium. In 1933 Nanjing forces seized from it several hundred tons of Persian opium. Most of it was turned over for "disposal" to Du Yue-sheng, who converted it into heroin at his Kaochiao village morphia factory.<sup>121</sup>

Up until this time, Du Yue-sheng's organization, while powerful throughout the Yangtze valley, had been headquartered with the Shanghai French Concession, where he could enjoy legal protection by a friendly foreign power. Du was, in fact, indispensable to French authorities. With only 2,000 French officials to govern a municipality of upwards of a million Chinese, the Concession relied on the well-disciplined

Green Gang to control the population in return for protection of their rackets. The French particularly favored Du after he engineered a seemingly miraculous strike settlement. Moreover, out of the \$6,500,000 Du's organization brought in each month from opium revenue, French Concession police and government officials received \$150,000 in bribes. As a result, the Green Gang's presence within the Concession was not only tolerated, but actively encouraged, by appointments of the leadership to official positions. Huang Chin-jung, long-time chief of Chinese detectives in the French Concession, efficiently suppressed rival criminals, while Du Yue-sheng and Chang Hsiao-lin made policy from their seats on the Municipal Council.<sup>122</sup>

This mutually profitable relationship depended on the corruptibility of local French officials and the toleration of higher French authorities in Hanoi and Paris. The former condition was easily met. In return for services rendered during the White Terror of 1927 (as well as a cut of the profits), Police Captain Étienne Fiori (a Corsican), and his superior, Consul General Koechlin, agreed to protect Du's organization and the opium trade. French political critics also charged that Du's organization diverted large sums of money to Paris to influence the French government against investigating the Shanghai situation. In any case, the Green Gang got the sanctuary it needed to become the unrivalled focus of opium smuggling in China.

The "Shanghai Incident" and a change of administration in France upset this relationship. Apparently, a disgruntled legislator in the French colonial government at Hanoi complained about the extraordinary corruption infecting the Shanghai French Concession; his protests reached Paris where the government ordered an investigation. The French government sent an admiral to Shanghai to enforce cleanup operations. In the meantime, sensing his time was up, Koechlin dismissed Du from the Municipal Council and prohibited gambling and opium in the Concession. Consul General Meyrier took Koechlin's place, while an incorruptible chief of police, M. Fabré, replaced Fiori. With the help of French naval forces they enforced Du's ouster and suppressed anti-French demonstrations that arose "spontaneously" to oppose these moves.

Such sweeping changes were not easily made. Du sent a delegation of Chinese to Paris, armed with bribes, to get himself reinstated. Members of the Chinese government, including Mrs. Wellington Koo, approached French Concession authorities to reopen the opium trade. And M. Fabré had to dismiss over half his detectives whom Du had corrupted.

Du's final blow fell one evening that summer, during a dinner held by retiring Consul-General Koechlin and Fiori to mark their departure from the Concession. Poison placed in the food killed all but Fiori, who was violently ill. The deaths sent shockwaves through the French community in Shanghai. Whether or not Du was really to blame, as most long-time foreign residents believed (as retribution for Koechlin's double-cross), such rumors illustrate the magnitude and nature of Du's reputation. Certainly the incident frightened the new consul, who graciously provided a police escort to ensure the safe transport of Du's opium stocks out of the Concession rather than confiscating them. Both Meyrier and Fabré resisted Du's efforts to remain in the Concession, and forced his extensive operations underground.<sup>123</sup>

Despite this setback, Du Yue-sheng remained a dominant



figure in China's opium traffic. Even in the French Concession his organization flourished. Du merely moved the bulk of his forces into the Chinese district of Shanghai, rebuilt an elaborate organization, and protected it all with lavish bribes to Chinese officials. Every month, Du spent \$200,000 in payoff money to Chinese police, judges, and KMT officials. He subsidized friendly newspapers with another \$70,000. These same newspapers were notable for their support of Chiang Kai-shek's new opium monopoly in Hankou, for a good reason. In late 1932 Du went personally to Hankou to seek official permission to run an opium monopoly in Shanghai in return for the payment of \$3,000,000 monthly to the Finance Ministry. His offer was accepted. Now opium grown in Yunnan, Sichuan and Guizhou came down the Yangtze, taxed and protected along the way by Green Gang and government authorities, until it reached Hankou where Du's men picked it up for distribution in Shanghai and neighboring cities.<sup>124</sup>

Du Yue-sheng's tentacles now reached most parts of China, due to his control of China's "opium highway" (the Yangtze) and China's biggest opium market, Shanghai. In Guizhou an opium combine organized by Du contracted for sole opium exporting rights in early 1935 thanks to his organization's efficient transportation system along the Yangtze River.<sup>125</sup> Likewise in Sichuan, where local militarists jealously hoarded the province's morphia plants, a number of drug factories came under Green Gang control in Chongqing and Yizhang "to insure their cooperation in the smuggling and distribution of opium and drugs owned by these up-river militarists." Moreover, only Du's skilled chemists could attempt the final refinement process of the crude drugs sent down from Sichuan.<sup>126</sup>

Du's influence spread as Green Gang members migrated out of the Yangtze valley. Thus his old narcotics smuggling associate Ye Ching-ho moved to Fujian province where he headed up the provincial opium monopoly. And by the 1930s, the Green Gang had become firmly established as far north as Tianjin, where it competed favorably with other gangs in gambling, prostitution, and opium. The Green Gang leader in Tianjin, Pan Tzu-hsin, was a sort of grandfather figure who mediated between the city's rival criminal factions. Perhaps the gang's presence in the city explains the lively narcotics traffic maintained between Tianjin and Shanghai. Most of the heroin entering the U.S. market in the 1930s was manufactured in Tianjin and then shipped to Shanghai for packing and export. Du Yue-sheng played a leading role in these international operations.<sup>127</sup>

Du naturally did not neglect his base area. Shanghai, with its 100,000 addicts, provided a highly profitable market. Besides selling opium, Du's men operated 10 morphine factories in the Shanghai vicinity, which serviced not only the local population, but the rest of China and the world as well. Two of the larger factories alone produced a daily output worth Shanghai \$40,000. The Green Gang paid the Nationalists \$400,000 a month for the protection of the morphine factories.<sup>128</sup>

In 1933, however, the gang defaulted on its payments, until it owed almost a million dollars. Moreover, a number of criminals talked too openly of Chiang Kai-shek's complicity with their operation. Angered, Chiang ordered the largest factory raided. His men seized \$1,500,000 (Mex.) worth of opium and derivatives. The mayor of Shanghai, Wu Teh-chen, attempted unsuccessfully to prevent the punitive raid, and

nearly had to resign. He flew to see the Generalissimo in person to patch things up. Ultimately, Chiang Kai-shek's chief secretary, Yang Yung Tai, negotiated a new agreement with Du Yue-sheng and the factories opened again. The Nationalists needed the money. (Yang was later implicated in a major attempt to defraud Chiang's headquarters of opium tax receipts).<sup>129</sup>

Shanghai's opium merchants, led by Du, bought protection not only from the Nanjing government (which supplied opium from its Hankou monopoly), but also from the Police Commissioner, who normally received \$250,000 per month for distribution among the city's law enforcement officers. But when General Tsai Ching-tsun assumed office as Commissioner, he demanded another \$100,000 a month. When the merchants refused, General Tsai closed down the opium dens. For three days the deadlock remained. Finally, the merchants approached Du to negotiate a settlement with the Commissioner.

On May 5, 1935, Du hosted a dinner at the Ta Si-yang restaurant in the International Settlement, in honor of General Tsai. A number of leading opium merchants attended to pay their respects. Over the meal, Du quietly arranged a compromise with the Commissioner to raise to \$300,000 a month the bribes required for protection. All parties approved the deal. The next day General Tsai issued an order reopening the dens and releasing from jail all den owners who had been arrested during the shake-down.<sup>130</sup>

It was not unusual for the opium merchants to call on Du to settle disputes, for his prestige rested on more than his relationship with Chiang Kai-shek or his ability to crush strikes. He was also head of the Opium Merchants Combine (euphemistically called the Special Goods Association), a huge holding company consisting of all the large narcotics manufacturers and retailers in the city. The combine levied a ten cent tax on each tael (one tael = 1-1/3 ounces) of opium imported from Hankou to create a fund for bribery. On the business end, this organization handled the production, purchase, transportation, distribution, and sale of all narcotics in the city. The Association even purchased a steamer for the sole purpose of shipping crude morphine down the Yangtze from manufacturing laboratories in Sichuan.<sup>131</sup>

Thanks to its lavish and well-placed bribes, the Special Goods Association placed its members on all suppression authorities, from the police to the Shanghai Opium Suppression Committee. When Chiang Kai-shek organized this suppression bureau on July 1, 1935, Du was appointed to its Standing Committee, ostensibly to represent the Chinese Ratepayers' Association (of which he was chairman). To head the Committee, Chiang appointed the narcotics smuggler Dr. F. C. Yen, Superintendent of the Red Cross Society of China, and member of the informal Rockefeller Foundation-related "oil group" which produced other advocates of opium monopoly, including J. Heng Liu and Wu Lien-teh. Du had no trouble dominating the Shanghai opium suppression bureau.<sup>132</sup>

The Shanghai opium monopoly, enforced by opium "suppression" authorities and Du's opium combine, generally prevented "destructive" competition from eroding the handsome profits accruing to both the Nanjing government and the Green Gang. But one market lay outside their total control—the foreign settlements. Together with Du, Chiang boldly challenged the foreign authorities by attempting to extend his monopoly into the heart of their territory.

To divert attention from his own complicity in China's narcotics traffic, Chiang and his subordinates usually blamed the foreign concessions for allowing smuggling and narcotics use within areas untouched by Chinese law. In 1937, Chiang wrote a letter presenting this argument to the Acting Mayor of the Municipality of Greater Shanghai, insisting that the foreign concessions follow China's strict laws regarding opium. But he asked that "cooperation should also be given in the matter of compliance by opium addicts with regulations to purchase and smoke opium on the basis of permits," explaining that such permits were available to foreign concession residents who wished to buy opium in the Chinese districts. His further accusation that the concessions fostered the traffic in "illicit opium bearing no revenue stamps," laid bare his schemes. Chiang was attempting nothing less than the extension of his system of licensing and taxation of opium retailing and consumption throughout the whole of Shanghai. By suppressing the "illicit" traffic in opium "bearing no revenue stamps," he hoped to centralize the entire traffic under his own control. "In short," remarked one American diplomat, "the real motive appears to be to increase revenues by drawing within the orbit of the Opium Suppression Bureau the opium traffic in the Settlement and French Concessions."<sup>133</sup>

Du Yue-sheng was only too happy to go along with the plan, since the entire monopoly would be farmed out to his men anyway. Indeed, Du and other top Chinese "opium suppression" officials lobbied vigorously to extend Chiang's monopoly regulations into the foreign areas.<sup>134</sup>

Chiang's plans evoked a storm of protest from the concessions when his demands leaked out. Foreign newspapers unanimously opposed his licensing plans. All realized that the Chinese plan would simply legalize the traffic to the sole benefit of the Nationalists and their Green Gang allies. Clarence Gauss, the ranking American diplomat in Shanghai, wired home his conviction that "if success attends these Chinese efforts, we will have underworld activities here of a most distressing and dangerous character." Ironically, Chiang's plans fell through with the outbreak of hostilities with Japan, an event that led ultimately to the imposition of a Japanese narcotics monopoly throughout the city.<sup>135</sup>

Despite his leadership of the Chinese underworld, Du remained dissatisfied until he acquired a new reputation of respectability. With a fortune estimated at \$40 million, a favorable image was the only thing left to buy. He brought all his assets to bear: his friendship with Chiang, his hold over the Shanghai capitalists, his control (through bribes and intimidation) of large segments of the press, and finally, his public beneficence. Shanghai residents generally, not just his favored associates, admired Du Yue-sheng's generosity. Perhaps for this reason a conservative British publication referred to China's most notorious criminal as a "well known public welfare worker." Even tough crime veteran "Pock-marked Huang" came to be known as a "philanthropist and business magnate."<sup>136</sup>

Du Yue-sheng worked hard to gain this image. He sat on innumerable boards of directors, controlled companies, and aided a wide variety of public relief agencies and private charities. Along with Green Gang compatriot Chang Hsiao-lin, he served for many years on the French Concession Municipal Council, ran two Shanghai banks (Chung Wai and Tung Wai), and sat on the board of directors of the highly profitable China Merchants' Steamship Navigation Company, which

smuggled some opium on the side down the Yangtze. Du was also chairman of the board of the Pootung and Chunghui banks.

More indicative of his influence was Du's position as a director and later chairman of the board of the prominent China Commercial Bank. His "disciple" Lo Ching-hua, Deputy Manager, handled the routine administrative work and actually ran the bank. Lo joined the powerful CC-Clique in 1927. Organized by the brothers Chen Li-fu and Chen Kuo-fu, both top KMT politicians and nephews of Chiang's mentor Chen Chi-mei (himself a close ally of the Shanghai secret societies), the CC-Clique was an arch-conservative faction within the KMT whose views increasingly appealed to Chiang Kai-shek during the late 1930s and 1940s. Lo and Du also worked closely together in the Commercial Society, an adjunct of the Shanghai Municipal Chamber of Commerce. This alliance strengthened Du's influence within the KMT. Just as important, it tied the CC-Clique closely to narcotics traffickers (several of whom sat on the board of the CC-controlled China Industrial & Mining Bank) and to opium-related enterprises, such as the Farmer's Bank, which was backed by opium revenues. Many of the KMT leaders in Shanghai closest to Du such as P'an Kung-chan, Wu Shao-shu, and Wu K'ai-hsien, were also top CC personnel.

Du's other commercial dealings were numerous. A member of the Supervisory Committee of the Shanghai Chinese General Chamber of Commerce, Du headed the Chinese Cotton Goods Exchange in Shanghai (which had a virtual monopoly on the Chinese cotton industry), helped

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direct the Chartered Stock and Produce Exchange, the Shanghai Chinese Electric Power Company, the Hua Fong Paper Manufactory in Hangzhou, the Kiangsu and Chekiang Bank in Shanghai, and most importantly, the Bank of China and the Amortization Fund Committee on National Loans. His charities included the Shanghai Emergency Hospital and the Jen Chi Hospital in Ningpo. (He became president of both). He founded and chaired the board of directors of the Cheng Shih Middle School in Shanghai. He supported orphanages and sponsored a model farming community.<sup>137</sup>

Occasionally, when bribery or intimidation failed to insure a favorable press, Du simply bought himself a publicity organ. Thus in May 1935 a Chinese newspaper ran this small

story:

*Succeeding Mr. T. B. Chang, who has resigned because of ill health, Mr. Tu Yueh-sen, well-known Shanghai banker and business man, yesterday assumed the post of managing director of The China Press, The China Times, The China Evening News, and the Shun Shih News Agency, four allied journalistic organizations.*

Actually, Chang's illness was purely political. The Nanjing government had banned the three newspapers in order to force Chang, a critic, out of business. Du Yue-sheng represented the pro-government group, headed by H. H. Kung's son David, which took over the newspapers. Thus the Nanjing government

### The Green Gang and the Nationalist Air Force

Throughout the 1930s, the Nanjing regime (and to some extent, the Canton government) pursued an aggressive policy of military aircraft purchase to modernize the Chinese air force for use against the Communists, warlords, and Japan. Between 1932 and early 1934, the Chinese purchased almost \$5 million worth of planes from Curtiss-Wright and United Aircraft corporations. In 1939, an American arms dealer named William Pawley admitted that he alone had sold the Chinese a total of \$31 million in planes.<sup>1</sup>

The extent of Nationalist aircraft purchases astounded outside observers who recognized the precarious state of Nanjing's finances. Willys Peck, head of the American legation in Nanjing, commented in 1936:

*I was somewhat "floored" by [Pan American Airways official] Mr. Bixby's information that within the last three weeks Dr. Kung had signed orders with the Curtis Wright Company for 120 military air planes. It is possible that I have overlooked information reaching this office reporting this important transaction. Not only did Mr. Bixby assert that there is no doubt about the matter, but since my conversation with him I have obtained partial confirmation from a person close to Dr. Kung, who has told me that two weeks ago a contract for the first eighty Curtis Wright planes, of two varieties costing about \$20,000 U.S. currency per plane, was ready for signing.*

\* \* \*

*The importance of this large purchase of 120 military planes in its bearing on China's relations with Japan. How Dr. Kung has managed to finance it seems a mystery, for the price must amount to roughly \$8,000,000 in Chinese currency. . . . We have seen reports from Shanghai that General Chiang is straining every effort to further his preparations to put China in condition for military resistance to all forms of foreign aggression, but this caps the climax.<sup>2</sup>*

How, then, did the Finance Ministry come up with the money for the planes, considering that the government

was so impoverished that it had to borrow money from the United States to buy food?

Chiang Kai-shek raised funds for military aviation through a gigantic, nationwide lottery. He also established a number of patriotic organizations to handle fund raising, such as the "Mass Salvation Association" in Yunnanfu and the "China Aviation Salvation Association" in Shanghai, founded in 1933. Companies and organizations, such as the Green Gang-controlled Ningpo Boatman's Association, the Shanghai Chinese Chamber of Commerce, and the Shanghai Bankers' Association cooperated in the campaign and took up collections. Public subscriptions to the aviation fund brought in Yuan \$1,500,000 in Yunnanfu alone. Considering that the Green Gang dominated the major Shanghai organizations, and that Yunnan's only real source of wealth was opium, it is clear that once again the Nanjing Government was relying on opium revenues for its financing.<sup>3</sup>

Actually, the Green Gang's role in aviation financing was open and direct. Du Yue-sheng personally spent millions of dollars to purchase American airplanes and once donated an entire squadron of planes to the Nanjing air force. As a present on Chiang Kai-shek's fiftieth birthday (1936), Du presented the generalissimo with a new airplane.<sup>4</sup> A year earlier, Chiang had decorated Du Yue-sheng, Chang Hsiao-lin, and Huang Chin-jung for "munificent contributions towards . . . purchase of aeroplanes."<sup>5</sup> Their role in financing the Nationalist air force during the 1930s illustrates once again the importance of opium to the viability of the Nanjing regime.

Remittances from overseas Chinese represented the last major source of revenue and foreign exchange upon which Chiang's air force was built. In some years, the Chinese communities in San Francisco, New York, Havana, the Philippines, Singapore, and elsewhere sent as much as \$12,000,000 a month back to China.<sup>6</sup>

The overseas Chinese originated primarily in Guangdong province, near the capital of Canton. While the Guangdong government remained independent of Nanjing in the early 1930s, Chiang Kai-shek lost much potential revenue from overseas Chinese remittances. But the Canton government was quick to take advantage

of the opportunities for fund raising. In March 1932 it sent a special aviation mission to the U.S. to inspect aircraft factories and "advise the San Francisco Chinese regarding airplane purchases for presentation to China." Brigadier General Woo G. Garr of the Canton Aviation Bureau and Col. S. K. Yee, Director of the Cantonese Intelligence Bureau, headed the mission. (As we have seen, the Bureau of Narcotics suspected such semi-official missions of covering narcotics smuggling operations). They visited Seattle, San Francisco, Los Angeles, Chicago, Detroit, Washington, New York, and Boston. In each city they contacted local Chinese communities for funds. Their chief agent, however, was the Six Companies combine which ran San Francisco Chinatown for the KMT, as one American official explained:

*You will be interested to learn that there is in San Francisco a joint committee of the Chinese Chamber of Commerce and six Chinese trading companies which requested our San Francisco office to help make a preliminary survey for the use of the mission of pursuit bombing and observation planes. This joint committee has raised some funds from Chinese-Americans for the purchase of planes. Whether the Chinese-Americans in other cities who are reported to have raised, or be raising, funds for this purpose will see the delegation is unknown. It is assumed that the officers will survey this field while here, if these activities have not already been consolidated by the San Francisco committee, since, as you know over 80 percent of the Chinese-Americans are Cantonese.*<sup>7</sup>

Aggressive American airplane manufacturers, such as the Curtiss-Wright corporation, were well aware of the importance of overseas Chinese communities in the United States. "As we are one of the largest suppliers of aircraft in this country," wrote one Curtiss-Wright official to a knowledgeable missionary, "we are naturally anxious to get in touch with the leaders of such movements and to ascertain whether or not it is a fact that steps are being taken by Chinese residents in this country to furnish aircraft for use in China."<sup>8</sup> As another such official confided to the head office in New York, "Large funds contributed by San Francisco Chinese controlled by various factions and tongs. We are working very closely and confidentially with them and recent arrivals from China reputedly representing the nationalists."<sup>9</sup>

The tongs that Curtiss-Wright worked with were independent branches of the Triad organization, a loose coalition of secret societies encompassing southern Chinese and their overseas counterparts. Sometimes known by their generic name, "Hong Men," these societies actively raised funds for the Nationalist regime, and on one occasion during the Sino-Japanese war presented 20 planes to the government.<sup>10</sup> Frequently, the opium traffic provided the financial base for the organization structure that held these societies together.<sup>11</sup> The exposure of the nationwide Hip Sing Tong

in the late 1930s as one of America's leading narcotics syndicates only emphasized this fact. These tongs were probably also the distributors of opium smuggled into the United States by Chinese officials and Consuls General whom the Bureau of Narcotics pinpointed as traffickers.

The tongs were not the only conduit of overseas Chinese opium revenue into the Nationalist air force. Peter Dale Scott has already shown that a prominent San Francisco Chinese-American, Dr. Margaret Chung, who was a major supporter of American flyers hired by the Chinese air force, trafficked in narcotics with leading American Syndicate representatives.<sup>12</sup> It now appears that the Nationalist government actively encouraged international smuggling to generate foreign exchange required for aircraft purchases. Thus the sole source of supply for one of the leading West Coast traffickers, Lock Wing Bong of San Francisco, was Commissioner General of Emigration Yim Ben Jue. Yim, a former Chinese interpreter for the U.S. Immigration Service in San Francisco before his deportation on a narcotics offense, in turn got his opium from the Nationalists in return for arms and ammunition.<sup>13</sup> This sort of network probably helps explain the mystery of China's ability to finance massive aircraft purchases during the 1930s.

#### Notes

1. Stanley K. Hornbeck memorandum, 24 April 1934, Hornbeck mss., box 16; Memorandum of Conversation between Hornbeck, Pawley, and George Sellett, 26 September 1939, Hornbeck mss., box 16.

2. Willys Peck (Nanking) dispatch to Nelson T. Johnson (Peiping), 26 January 1936, enclosure in 811.7960 Pan American Airways/47.

3. Percy Finch, *Shanghai and Beyond*, 82-83; *Nye Hearings*, 1449-50; Lincoln C. Reynolds (Tientsin), "Aviation in China," 14 March 1935, 893.796/197.

4. Percy Finch, *Shanghai and Beyond*, 83-83, 296; Ilona Ralf Sues, *Shark's Fins and Millet*, 71.

5. *China Yearbook*, 1935, 357, 381, 409.

6. Finch, 83-83; *Nye Hearings*, 1449-50; Wu Chung-hsi, *Dollars, Dependents and Dogma* (Stanford: Hoover Institution, 1966), 79, 81, 83, 158.

7. Leighton Rogers, Chief, Aeronautics Trade Division, Department of Commerce, to C. W. Webster, President, Curtiss-Wright Export Corp., 12 March 1932, *Nye Hearings*, 977-978.

8. Letter of 20 February 1932, exhibit no. 352, *Nye Hearings*, 778. 9. Bartlett telegram to Curtiss-Wright Export Corp., 11 March 1932, *Nye Hearings*, 778.

10. Tien Tsung, "Chinese Secret Societies," *Orient*, III (November 1952), 57.

11. W. Morgan, *Triad Societies in Hong Kong* (Hong Kong: Government Press, 1961); Wilfred Blythe, *The Impact of Chinese Secret Societies in Malaya* (London: Oxford U. Press, 1969).

12. P. D. Scott, "Opium and Empire," *Bulletin of Concerned Asian Scholars*, V (September 1973), 51-52; cf. Jack Lait and Lee Mortimer, *U.S.A. Confidential* (New York, 1952), 145-46.

13. Memorandum of Harry D. Smith, Pacific Division narcotics agent, 12 September 1930, 811.114 N 16 China/124; J. W. Ballantine dispatch, 20 February 1931, 811.114 N 16 China/136; R. R. Miller to American Consul in Peking, 26 May 1934, 811.114 N 16 China/272. There was some dispute as to the legitimacy of Yim Ben Jue's title.

lost a critic and Du gained a new mouthpiece.<sup>138</sup>

Following Chiang Kai-shek's example, Du added the finishing touches to his new image by "converting" to Christianity. He attended regular prayer meetings at the house of Finance Minister H. H. Kung and in 1936 was actually baptized. Madame Chiang Kai-shek reportedly told an American bishop that "Tu Yueh-sheng is becoming a real Christian because ever since he was baptized there has been a marked decrease in kidnapping cases in Shanghai." An American treasury agent was more inclined to the view that Du was simply "trying to build up his influence among missionary and Christian circles" as Chiang had done. "Before long, it is believed Mr. Tu will occupy a high seat in the church . . ." That event, mercifully, never came to pass.<sup>139</sup>

Du and his fellow Green Gang leaders won their greatest renown for contributing liberally towards public relief causes. In 1935 the Nationalist government decorated Du Yue-sheng, Chang Hsiao-lin, and Huang Chin-jung with Third Class Flowery Jade medals for fund raising for famine relief. As befitting his leadership of the Shanghai community, Du raised slightly more money than his compatriots—\$86,636.<sup>140</sup>

Du Yue-sheng, "well-known public welfare worker," Huang Chin-jung, "philanthropist," and Chang Hsiao-lin, "prominent resident, French Concession," were now widely respected, although not wholly respectable. At Chang Hsiao-lin's birthday party in June 1936, 40,000 friends turned out to pay their respects and watch the three-day theatrical performances.<sup>141</sup> But Du and Chang had one last wish: to be given high appointments in the Nanjing regime. In return for Du's cooperation in rooting out Chiang Kai-shek's enemies during the 1936 Shanghai elections, the Generalissimo promised to support Du's campaign for mayor of that city in the next election. Chiang also promised to appoint Chang Hsiao-lin as Garrison Commander of Shanghai and Woosung. "They believe that these high government posts will enable them to cover up their past," wrote one American intelligence official. "With General Chiang's understanding in these issues, these two men have become ardent supporters of the generalissimo. They are doing their best to help clean out all of General Chiang's enemies in town."<sup>142</sup>

Unfortunately for these Green Gang leaders, the Japanese invasion threw China into chaos and disrupted their plans for advancement in the Nationalist hierarchy. The war opened up new opportunities for service and achievement, however, which the Green Gang leaders were quick to grasp.

## Opium, the Green Gang, and the Sino-Japanese War

The Sino-Japanese war spread to Shanghai by August 1937. While Chinese troops resisted on the battlefield, Du Yue-sheng once again organized anti-Japanese guerrilla resistance around the old Shanghai Civic Federation, first formed during the 1932 "Shanghai Incident." He offered to sink the ships owned by his Ta-ta Steamship Company to blockade the lower Yangtze, and he donated his bullet-proof car to the Chinese general defending Shanghai.

The Japanese Army onslaught overwhelmed Chinese resistance. In November, Du fled Shanghai to Hong Kong along with T. V. Soong and other high officials. There, he forged an alliance with other anti-Japanese secret societies. Meanwhile, in Shanghai, Du's forces conducted terrorist

activities against the Japanese and their Chinese collaborators. With \$500,000 a month from the Nationalist government, Du also organized a program of bribing potential collaborators to prevent their cooperation with Japan. Du was in large part responsible for the theft of documents revealing Wang Jing-wei's secret agreement with the Japanese. And he arranged the escape from Japanese territory of George Yeh, later Foreign Minister in the Republic of China.

After Japan attacked Hong Kong in late 1941, Du moved permanently to Chongqing, where he headed a number of relief agencies, managed his banks and businesses, and continued to coordinate, with the Chinese secret service under Tai Li, the resistance activities of his underground secret society.<sup>143</sup>

Most traditional histories of Du Yue-sheng's activities during the Sino-Japanese War conform to this brief outline. Chinese biographies portray him as a fervently patriotic, even honest and selfless, supporter of China's war of national resistance. Du did, in fact, actively support the Chongqing government. But the history of the war cannot easily be fit into such simple categories. Some Chinese became collaborators, switched sides again, and waited for a winner. Japanese formed tacit alliances with Chinese for profit and security. Spies assassinated enemy officials and then traded with the enemy for mutual profit. It was in this murky environment that Du Yue-sheng, General Tai Li, and the Japanese operated. And opium played a major role in defining their operations.

Despite Du's flight to Hong Kong, the Green Gang boss maintained a powerful presence in Shanghai. From his new residence, he directed the traffic of opium into Shanghai and influenced opium distribution in the city by frequently consulting with leading Shanghai opium merchants who came to Hong Kong specially to see him.<sup>144</sup>

Du also had a number of personal opium representatives in the city. One of these, Ching Ting-sun, was a former protegee of Huang Chin-jung. Ching and his closest associates were major importers of opium from Tianjin and Swatow. They also managed several gambling establishments licensed by the Japanese. Ching's men (and formerly Du himself) smuggled opium in clearly numbered cars, which two Chinese officers on the Municipal Council, Chiang Fu-tien and Chao Ping-seng, had instructed French Concession police not to interfere with. Chiang Fu-tien, Du's subordinate and chief of detectives in the French Concession, was himself a leader of one opium ring in the Concession.<sup>145</sup>

From his new base in Hong Kong, Du Yue-sheng widened his contacts with China's narcotics traffickers. He developed close ties to Hong Kong's opium king and underworld leader, a man named Pen (alias Tsoei-Kung-tze), who controlled most of the opium merchants of Macao and Swatow, where Du now purchased much of his opium.<sup>146</sup> Du also sent Cheng Sui-tze, former director of the Shanghai Opium Suppression Supervisory Bureau and uncle of one of Shanghai's leading opium merchants, Cheng Tze-chia, to Swatow in order to arrange for the purchase and transport of opium into Shanghai. To facilitate these transactions, Du managed to swing Cheng's appointment as director of the Swatow Opium Suppression Supervisory Bureau.<sup>147</sup>

With the help of Cheng Sui-tze and the leading Shanghai opium merchants Du had contacted in Hong Kong, the Green Gang leader forged a gigantic opium combine dealing in Yunnan and Guizhou opium which it smuggled into

Japanese-occupied territory. In Shanghai, the chief distributor of the ring's opium was Wang Shao-tseng, proprietor of the Tung Chang opium firm. In Hong Kong, Lo Hong-yi, a former Shanghai opium merchant, handled the purchase and transshipment of opium up the coast; helping him were a number of other merchants including Du's close ally, Ling Lao-fu, owner of the San Shing opium company (founded by the Green Gang triumvirate a number of years earlier). Cheng Tze-chia, pre-war chairman of the opium combine in Shanghai, operated out of Guiyang where he directed the purchase of Guizhou opium. His uncle, Du's partner Cheng Sui-tze, coordinated the entire ring by supervising the traffic between Chongqing, Kunming, Hong Kong, and Swatow.<sup>148</sup>

With his traditional sources of supply disrupted, Du Yue-sheng also turned to India and Persia for opium, despite the extra expense and greater danger of discovery. In late 1938, he began arranging for the direct shipment of Persian opium to Shanghai. Du's right-hand man in this deal was none other than Ye Ching-ho, alias Paul Yip, whom the Nationalists had reportedly executed the year before for his traitorous narcotics dealings with Japan. Mr. Ye, of course, had known Du back in the early 1930s when he was still supplying the Ezra ring with narcotics; later, as head of the Fujian monopoly, he cooperated with Du's Shanghai syndicate. Although Opium Suppression authorities in Shanghai had confirmed Ye's demise, Nanjing military authorities had secretly pardoned him in the fall of 1937. Du Yue-sheng reportedly handed over to the Nationalist military huge sums to secure Ye's release. (The other Fujian officials involved with Ye were, however, executed). With Japanese backing, Ye was back at work with Du in Hong Kong, in collaboration with a number of Formosan *rōnin* who formerly dealt in the illicit narcotics traffic around Amoy and Fuzhou. Meanwhile, one of Ye's brothers, Ye Chien-shoon, was serving as a secret agent in Hong Kong of the Japanese Special Services Section, while his other brother, Ye Ching-hwa, once implicated in a dope smuggling case in Shanghai, was serving as Paul Yip's representative in Shanghai.<sup>149</sup>

Thanks to Ye, Du Yue-sheng's Persian opium schemes received Japanese military backing. But the Japanese also cooperated, through Chai Cheng-jen, a Formosan politician and close associate of General Doihara, head of Special Services, in giving Du important gambling licenses in Shanghai.<sup>150</sup> Moreover, with another Formosan, Hsi Fan-chi, Du began a rice-smuggling scheme from Japanese-occupied Wuhu to Hong Kong.<sup>151</sup> Du came dangerously close in these operations to becoming a Japanese collaborator instead of a heroic resistance fighter. Thus an American official learned from reliable Chinese intelligence circles that "Mr. Tu Yueh-seng is playing a double game in dealing at the same time with the Chinese Government and the Japanese. He has succeeded in making the Chinese Government believe that in dealing with the Japanese he could render service to the Government. So under this cover Mr. Tu carries on with the Japanese without fear of being watched."<sup>152</sup> Du's game was clever, but extraordinarily dangerous. Ultimately it was successful because his cooperation was essential to both sides and because flagrant double-dealing was too widespread a phenomenon to stamp out.

The Japanese learned of Du's influence the hard way. When they took over Shanghai, they attempted to set up an opium monopoly simply by registering and regulating the

existing opium firms. But the large, well-established hongcs refused to cooperate, knowing full well that the Japanese would in time bring them under complete control. Moreover, their proprietors had to consider the consequences of collaboration if the Nationalists ever reoccupied the city. Finally, they stalled on the direct orders of Du Yue-sheng.<sup>153</sup>

The Japanese desperately needed to raise funds to finance military operations. While the Shanghai situation remained in flux, they moved with puppet officials in Nanjing to create a regional opium monopoly for Jiangsu, Zhejiang, and Anhui provinces. Half of its expected \$6,000,000 monthly take would go to the Japanese military, and the other half to the Nanjing Reformed Government. Significantly, the Suppression Bureau was slated to come under the jurisdiction of Interior Minister Chen Chun, a principal figure in the puppet regime. Between 1933 and 1938, Chen served as Principal of the Cheng Shih Middle School—founded and financed by Du Yue-sheng. Chen was considered a close ally of the gangster.<sup>154</sup>

Conflict between opium merchants and Japanese authorities, as well as rivalries between Japanese officials themselves over the allocation of revenues delayed practical implementation of the Shanghai opium monopoly. Chinese and Formosan traffickers and ex-monopoly officials began competing fiercely for the top positions in the planned agency. The Japanese were looking for someone with experience in the opium trade, expert in financial management and, most of all, with political influence in the secret society underworld. To find the perfect individual, the Japanese would need Du Yue-sheng's advice. In this way the Green Gang leader obtained further leverage in Japan's Shanghai opium deals.

One contender for the opium monopoly directorship was Ku Chia-chai, a powerful Shanghai gangster and Du Yue-sheng subordinate. In mid-December 1938, he approached General Doihara's Formosan agent, Chai Chen-jen, for help in winning the post. Ku told him that with Du in Hong Kong, he (Ku) was now the most powerful figure in Shanghai's Green Gang and could put his men at Japan's disposal if needed. He said he could do so as Du's representative in the city.<sup>155</sup>

It soon became clear that Ku was acting on behalf of a larger syndicate, led by the notorious lawyer and Du Yue-sheng associate, Theodore C. Chang. Besides Ku, the group included such figures as Chang Ching-hu and Chen Shih-chang. Wang Shao-tseng, Shanghai opium merchant and a partner in Du Yue-sheng's southwest opium combine, provided financial backing. T. C. Chang was close to Chang Yi-sheng, formerly director of the Hankou Opium Tax Bureau and now a puppet official in the Sino-Japanese Economic Bureau. Chen Yih-sheng was also a close friend of Chen Chun; his son, formerly assistant manager of Lubbert's Pharmacy (a narcotics front of Paul Yip, Dr. Lansing Ling, and F. C. Yen) was now an assistant of the puppet Interior Minister. T. C. Chang's syndicate hoped to convince General Doihara's Special Services Section to grant them the monopoly license in return for a down-payment of \$1,000,000 and \$200,000 a month thereafter.<sup>156</sup>

For some reason, the Japanese distrusted T. C. Chang, but not because he represented Du Yue-sheng. For the Special Services Section approached Ching Ting-sun, one of Du's personal representatives in Shanghai, an opium smuggler and gambler, to secure Du's cooperation in the opium monopoly. The Japanese guaranteed Du's safety and promised to let him

recommend the heads of the "public safety bureaus" of Jiangsu, Zhejiang, and Anhui provinces, on condition that he return to Shanghai and mobilize the Green Gang to work for Japan. Du refused, and thereafter his influence over Japanese policy regarding opium waned.<sup>157</sup>

The direction of Japanese policy after this time is not entirely clear. Apparently the Japanese decided against centralizing the Shanghai opium trade under one man and opted instead for a Special Services Section-dominated coalition of the city's opium merchants. Chen Chun sanctioned the formation by reliable former "suppression" officials and opium combine leaders of a new Shanghai Opium Merchants' Union.<sup>157,5</sup> A pro-Japanese "opium king" independent of Du Yue-sheng, named Sheng Yu-an, emerged at the head of this new combine. In 1940, however, the Nanjing Reformed Government appointed to its regional opium suppression bureau one of Du's most trusted followers, Chang Ping-hwei, over Sheng's head. Sheng had to settle on a compromise with Du whereby Chang would take the post but not upset the status quo.<sup>158</sup> Moreover, Sheng and Du continued to cooperate on large-scale opium deals. In 1941, Sheng sent Lo Hong-yi, a committee member of the Shanghai Opium Merchants' Union and member of Du's Yunnan-Guizhou-Shanghai opium smuggling combine, to Hong Kong to arrange with Du for the importation of opium from southern China into Shanghai. Thus while Du remained nominally anti-Japanese, he worked closely with his collaborationist associates.<sup>159</sup>

Relations between Japan and Du Yue-sheng reflected the realities of power and the possibilities of mutual profit. Until they could consolidate their rule over Shanghai, the Japanese needed Du's cooperation, for they were impressed by the size and influence of the Green Gang. The Nationalists tapped the power of the secret societies by creating a "united front" of Chinese secret societies against Japan in the spring of 1940. The Japanese also had success in using some societies for intelligence, including some of the southern Triads and the Green Gang-associated Tsai Li organization in Shaanxi province.<sup>160</sup> But they knew from the start that the Green Gang could be their greatest prize—or their most dangerous enemy.

An American intelligence official explained the reasons behind Japan's special interest in the Green Gang in Shanghai:

*On the part of the Japanese, they have been wanting to secure the cooperation of the underworld influences for a long time. They believe this is the best way to secure control of the foreign areas for once they can secure these underworld forces, they will be able to create disturbances to harass the police, arrest anti-Japanese elements and Chinese Government agents, attack Chinese Government banks, law courts, and anti-Japanese newspapers and damage the stability of the Chinese currency. This means they could control the foreign areas through these gangsters without resorting to occupying them by force. The only weapons left for the Japanese to secure the cooperation of these gangsters are opium and gambling business.<sup>161</sup>*

Long before Japan occupied Shanghai, it began to study the structure of the city's secret societies. Even after August 1937, the Japanese moved carefully, respectful of the Green Gang's power and mindful of the need to gather more complete data on its structure and scope. By cooperating in the establishment of new gambling houses and opium dens, the

Japanese hoped to win the confidence of the underworld and at the same time gather information on its organization.

After failing to convince Du Yue-sheng to switch sides, the Japanese grew bolder. Japanese police put Huang Chin-jung under house arrest after he refused to cooperate with them. But Chiang Hsiao-lin proved more pliable. He helped organize the Citizen's Union as a popular collaborationist front. Many Green Gang members were also absorbed into the Japanese-sponsored *Chung-hua Huang Tao Hui* (Chinese Imperial Way Society), organized in January 1938. Ch'ang Yu-ch'ing, a former wharf coolie who had risen to a position of leadership in the Jianbei Clique of the Green Gang, headed this new society. Back in 1932, Ch'ang had emerged as head of the Japanese-backed "Peace Preservation Society," but with the signing of the Shanghai truce was forced to flee to Dalian. He returned to Shanghai in 1937 with the Japanese army to head the Huang Tao society, which became notorious for its terrorist practices.

By 1939, the Huang Tao Society had acquired such an evil reputation that Ch'ang Yu-ch'ing was put to work in Nanjing organizing a new Green Gang-dominated amalgam of secret societies (including the powerful Hong Bang) called the An Qing Hui (Peaceful Life Society). With branches in 40 occupied cities, its purpose was to transfer political power away from independent secret society leaders and to put the underworld forces to work for Japan in intelligence gathering, penetration of the foreign concessions, assassination, or simply profitable smuggling operations. To lend it an air of respectability, the Japanese formally inaugurated the An Qing League in Nanjing on May 14, 1940. In attendance were a number of important puppet officials, including Ting Mo-ts'un, Minister for Social Affairs and head of Wang jing-wei's Special Services Section. Three top Green Gang leaders presided over the ceremonies: Ch'ang Yu-ch'ing, Zhang Ying-hua, president of China Inland Shipping, and Chang Teh-ch'in, otherwise known as Dr. Theodore C. Chang, the notorious American-trained lawyer and narcotics smuggler. These three leaders formed the Standing Membership of the An Qing League Consolidation Committee; its chairman, General Hsu Nai, commanded military units in central and North China.<sup>162</sup>

Du Yue-sheng's organization was thus being engulfed as the Japanese consolidated their rule in Shanghai. To counter this trend, Du called his forces into action. His agents terrorized collaborators and Japanese officials to prevent them from supplanting Du's influence. Among the figures Du had assassinated were Chou Feng-chi, defense minister of the Nanjing Reformed Government; Chen Lu, the Foreign Minister, Fu Xiao-an, the mayor of Shanghai, and Lu Lian-gui, chief of detectives in the International Settlement (though Lu may have been assassinated by Ch'ang Yu-ch'ing's organization). Du also did away with his old ally Chang Hsiao-lin and the two Green Gang leaders who followed him as head of the Citizen's Union, Chi Yun-ch'ing and Kao Chin-pao.

Wang jing-wei's Japanese-sponsored terror organization, the Special Services Section, fought back with reprisal assassinations against friends of the Chongqing government until by 1941 both sides finally called a halt and arranged a truce. There were no more important political murders.<sup>163</sup>

However, with the successful incorporation of local Green Gang leaders into the An Qing Hui, Du rapidly lost influence in Shanghai. The Special Services Section (and later

the China Affairs Bureau) took control of the opium traffic. And with the outbreak of war everywhere in the Pacific in December 1941, Du had to abandon Hong Kong for the backwater Nationalist war capital, Chongqing. Shanghai's foreign concessions fell under direct Japanese rule, so Du's agents no longer found haven in Shanghai. Du's men could therefore collect only limited intelligence from the occupied areas.<sup>164</sup>

The Communists (for obviously self-serving reasons) were the first to reveal these facts to American observers in China. When queried about the Shanghai underground by John Stewart Service in 1944, a Communist general admitted that some nationalist guerrillas still operated in the area but "according to Communist intelligence reports these forces had for some time had such close connections with puppets and Japanese that they were now considered to be puppets themselves." (An independent American intelligence report said of Du's chief agent in Shanghai, Hsu Pien-ch'eng, "He keeps up his good standing with the Japanese by supplying them with considerably more information than he gives his boss, [Du], in Chungking."<sup>165</sup>) The general pointed to admissions of Chongqing officials that their secret service apparatus in the area "had been pretty well broken up by the Japanese," explaining that Guomindang underground forces were more often motivated by profit than ideology and had simply been bought off. His opinion of the "patriotic" secret societies was no higher: "He pointed out that the Japanese and puppets had made great use of the gangster elements in the societies, and that these same elements had relations with such Kuomintang groups as Tai Li [head of the Nationalist secret service]."<sup>166</sup>

Du's intelligence-gathering and "covert operations" capabilities may have been limited, but he had unparalleled skill in an area that both the Nationalists and the Japanese valued highly: smuggling and opium traffic. Massive smuggling between the ostensibly blockaded sectors of "Free" and Occupied China was one of the salient characteristics of the Sino-Japanese War. It began during the 1930s when Japan smuggled enormous amounts of goods through North China to raise revenue and undermine the Chinese economy.<sup>167</sup> More viciously, they instituted a massive narcotics smuggling program against China. Using opium supplies from vast poppy fields in Manchuria, Japanese-controlled factories in Tianjin flooded the Chinese market with heroin. The Japanese financed a large part of their war effort this way.<sup>168</sup>

Japanese smuggling reached increasingly serious proportions as its armies moved inland from China's coast. Moreover, after their move to Chongqing, the Nationalists were left without any significant industry and had to exchange scarce foodstuffs for even scarcer manufactures, supplied by the Japanese. By mutual necessity, therefore, a sort of semi-official smuggling apparatus was set up. Even through the censorship, reports leaked out of China on the vast organized trade between Japan and China of gold and strategic materials. Upwards of half a million men were employed simply in smuggling gasoline. In 1940 alone, the Japanese smuggled into "free" China an estimated US \$120,000,000 worth of manufactured consumption goods, and the figures rose in 1941.<sup>169</sup> The existence of such smuggling reflected not only the ubiquitous tendency towards profiteering and wartime collaboration (as long as the outcome remained uncertain), but also the economic desperation of both sides during the long

stalemate.

The key Nationalist figure behind this organized smuggling was General Tai Li (universally known as the "Chinese Himmler"), who led a secret police force of over 100,000 men, many recruited out of the ranks of Du Yue-sheng's Green Gang. Accountable only to Tai Li, these men, with their enemy contacts, systematized the trade between Japan and the Chongqing government, without the embarrassment of turning to "official" channels. As head of the Smuggling Prevention Bureau, Tai Li was in a perfect position to eliminate competition and centralize the trade under his control.<sup>170</sup>

Opium was a key commodity in the smuggling trade because of its high value per unit of weight. The Chongqing government authorized Du Yue-sheng (under Tai Li's supervision) to take charge of opium smuggling in order to raise vitally needed revenues. The Nationalists shipped opium from Sichuan and Yunnan to his agents for sale in Japanese-held territories. (Much of this opium returned in the form of heroin.) When the Japanese seized Hong Kong, Macao, and other coastal ports in 1941, Du moved inland but continued to manage the opium trade to these newly occupied territories.<sup>171</sup>

The Chongqing government supported Du's operation whole-heartedly, putting the four banks of issue and CNC \$150,000,000 at his disposal to finance the trade.<sup>172</sup> The Nationalists also allowed him to use a number of "relief" agencies he controlled, such as the Chinese Red Cross, to front for his opium smuggling. And Du was allowed to branch into other commodities, including tungsten, wool, rice, tung oil, and precious medical supplies like quinine.<sup>173</sup>

The Japanese were happy enough to cooperate, since Chinese opium kept their Shanghai and Tianjin narcotics factories well supplied. But independent militarists and secret societies, such as the Ko Lao Hui (Elder Brothers Society), wanted a piece of the action and posed an obstacle to this well organized traffic. When Chiang Kai-shek moved inland to Chongqing, the heart of Ko Lao Hui territory, he and Tai Li attempted to monopolize for themselves the opium trade and other profitable commercial activities. In 1939, Chiang instituted an "opium suppression" program in Sichuan to wrest control of the traffic from the Sichuanese militarists and their secret society allies. By 1943, with the help of Du Yue-sheng's agents, Tai Li had managed to suppress Ko Lao Hui resistance.<sup>174</sup> Still, the Ko Lao Hui kept a hand in some opium transactions in Sichuan; thus their support proved essential to General Liu Wen-hui, warlord of Xinjiang province, who supported his army until 1949 through the export of large caravans of opium under military guard into Sichuan for distribution throughout China.<sup>175</sup>

On account of these independent threats to the opium traffic through China,<sup>175</sup> Du Yue-sheng traded the use of his underground forces in occupied China for protection from Tai Li's men along the opium transport routes, down the Yangtze, or south through Guizhou and Guangdong provinces. Heavily armed Tai Li agents accompanied Du's huge truck convoys with a *laissez passer* from the Executive Yuan authorizing free passage of the shipment as if it carried "essential military goods." In one such shipment, carrying 47½ tons of Sichuan opium to Guangdong, Du reportedly took \$50,000,000 as his share of the profits (February 1943 dollars). Tai Li must have received at least as large a share, since his secret service was



primarily funded with profits from the opium traffic.<sup>176</sup>

Since American military and intelligence forces chose to cooperate closely with Tai Li and Du Yue-sheng, they fully tolerated this pattern of semi-collaboration and opportunism. To coordinate intelligence and guerrilla operations, for example, the U.S. established the Sino-American Cooperation Organization (SACO), directed jointly by Tai Li and Navy Commander Milton Miles. (In practice, Tai Li controlled the organization, but was supplied with American men, matériel, and training.) In conjunction with Tai Li, Miles worked closely with Du Yue-sheng. The Office of Strategic Services, a rival American intelligence agency operating in China, also established close contact with Du Yue-sheng through Quentin Roosevelt (Theodore Roosevelt's grandson).<sup>177</sup> Obviously, the United States could not expect to work so closely with men like Du Yue-sheng, and still suppress the opium traffic and other forms of smuggling. Just as the Central Intelligence Agency later protected the Mafia in return for help in assassinating Castro, or protected the narcotics traffic in Southeast Asia in order to bolster anti-communist guerrillas, so did SACO and OSS become involved with China's anti-Japanese criminal forces. The best example of this "detente" was SACO's decision to support the pirate-smugglers who infested the China coast in return for intelligence and military support.

Chinese pirates operated freely in the coastal waters between Fujian and Jiangsu. Their forces controlled and exacted heavy tolls on trade and transportation in those waters. Travellers paid a standard fee of \$1,000 for passage rights; goods were taxed \$2,000 per 100 pounds. To win their cooperation (and because they lacked a coastal navy), the Japanese granted the pirates a monopoly on smuggling in return for information and coastal patrolling. The pirates smuggled medical supplies, tung oil, gold, salt—and opium. The Japanese sold it to them for \$60 an ounce (raw) or \$1,300 an ounce (prepared); they in turn could sell it along the coast for \$6,000 an ounce.<sup>178</sup>

The profits from collaboration were high. On the other hand, the pirates were known to be "favorably disposed" towards the Americans and "secretly aligned" with Chongqing—to hedge their bets in case the Japanese lost. Japan knew this well and trusted the pirate leaders only as long as they could be bought off. Moreover, according to one immediate observer, "the smuggling and the piracy which the Japanese navy sanctioned had corrupted it to the core. From Japanese admirals down to the jetty sentries, each collected a tribute from the smuggling traffic." Under these circumstances, the Japanese were bound to overlook minor indiscretions on the part of the pirate leaders.<sup>179</sup>

One such pirate leader was Chang Yi-Chou, called "General" by his men, who acted as commander of the Japanese-sponsored Peace and National Salvation Army in Fujian province from 1944-45. Leader of a 4,000-man force based on Matsu Island (offshore from Fuzhou), Chang controlled a sizeable section of the coast to the north. The Japanese gave him official rank, paid him handsomely—and assigned several Japanese officers to his staff to keep an eye on him.<sup>180</sup>

Chang Kwei-fong was a Green Gang pirate leader with a direct following of perhaps 2,500, headquartered on Tsungming Island off Woosung, at the mouth of the Yangtze River. He controlled another 18,000 Green Gang operators

engaged in smuggling and employed as merchants, inspectors, cargo carriers, or laborers, extending along the coast and inland up the Yangtze as far as Kiukiang in northern Jiangxi province. "So powerful was this somewhat vaguely organized outfit that it more or less controlled the coast throughout the three-hundred-mile section that extended from Shanghai south to Wenchow," Milton Miles later recalled. Although Chang Kwei-fong was a collaborator and a member of the Japanese general's staff at Woosung, he also made contact with Du Yue-sheng's and Tai Li's agents in Shanghai.<sup>181</sup>

As early as 1942, the Coordinator of Information (OSS's predecessor) began evaluating plans to organize the Chinese pirates for operations against Japanese fishing. But U.S. intelligence officials had learned of the pirates' collaboration with the Japanese and the profiteering and corruption that surrounded their activities. Rather than hastily supporting the pirates, the U.S. Army sent a young employee of the Office of War Information named John C. Caldwell, who had grown up in Fujian, back to China to gather information on pirate activities and sympathies. After meeting with the pirates—and apparently with Du Yue-sheng as well, who sold opium to the pirates—Caldwell reported that the pirates could be induced to switch their loyalties. In return for intelligence they provided, Caldwell convinced Chongqing to call off 14th Air Force attacks against the smugglers' junks in order not "to antagonize potential allies." As Caldwell later put it, "The basis for an understanding with the pirates had been laid."<sup>182</sup>

SACO heads Tai Li and Milton Miles convinced their respective governments to cooperate fully in a program of weaning the pirates away from Japan. SACO provided the pirates—euphemistically referred to as the "overseas Guerrilla Corps"—with guns, ammunition, training, and money. The pirates in turn collected weather information, laid mines, and rescued downed American flyers—even as they provided similar services to Japan.<sup>183</sup> The pirates thus successfully played both sides. There is no way of knowing whether their assistance to the Allied war effort really amounted to much, but they certainly profited handsomely from Allied aid (and protection from bombing). After the war, the pirates carried on a lively trade in gold, opium, and luxury goods using the modern diesel-powered junks they were given during the war for guerrilla operations.<sup>184</sup>

As a final service to the Chongqing government, the pirates assisted in retaking Shanghai before the Communists could establish a foothold. In the summer of 1945, Du Yue-sheng left Chongqing with Tai Li and traveled to Zhejiang province. When the Japanese capitulated in August, Du, Tai Li, the SACO, and Chang Kwei-fong moved into the city to establish contact with members of the underground and "sanitize" the city. In particular, Du's forces battled Communist labor and protected American-owned public utilities from sabotage attempts. Their rapid deployment against the Communists was one of the first moves in the postwar civil war.<sup>185</sup>

Soon after his return to Shanghai, Du Yue-sheng granted an interview. "I am a simple citizen," he said. "I have no titles from the Government, and my work, as before the war, is to assist the Government in spreading benevolence to the people."<sup>186</sup> Little is known of his postwar success in spreading "benevolence to the people."<sup>187</sup> But Du had done well enough during the war, on top of his prewar earnings, to support a life of philanthropy in his waning years. He had profited not only

from the opium trade, but also from his control of the lucrative (and illicit) traffic in luxury goods along the Burma Road, and by vastly profitable insider deals on U.S. Dollar Savings certificates and bonds.<sup>188</sup> After the war, he almost certainly took part in the black marketing of scarce relief supplies and in profiteering on Yellow River shipping.<sup>189</sup>

For a while, Du's influence remained as great as ever. The British Embassy invited him as an honored guest, along with distinguished diplomats, to celebrate the ending of the war.<sup>190</sup> Many of his former associates took government jobs, while Du himself held literally scores of positions in business, finance, education, and public social organizations.<sup>191</sup> Du strengthened his hand by allying with the dominant KMT faction, the "CC Clique."<sup>192</sup>

But with Dai Li's death in March 1946—Du attended the memorial service as a representative of the Shanghai Provincial City Council, Shanghai Land Association, and Shanghai Chamber of Commerce—Du lost a powerful friend and ally.<sup>193</sup> Du's position was first threatened in late 1946, when his chief labor ally, Chu Hsueh-fan, narrowly escaped assassination, and was forced to step down as chairman of the Chinese Association of Labor and as a city council member of Shanghai.<sup>194</sup> Du, sensing the changing political climate, left for Shanghai in early 1947 "to recuperate his health."<sup>195</sup>

By 1948, Du's influence had so waned that the KMT actually permitted the arrest of Du's son, Wei-ping, on charges of stock manipulation. The scandal naturally reflected on Du Yue-sheng himself, since he headed the Shanghai Stock Exchange.<sup>196</sup> The government, worried that Du might organize a "spontaneous" riot, reduced charges, and the whole affair ultimately blew over.<sup>197</sup>

But Du, although still regarded as "Public Celebrity No. 1,"<sup>198</sup> sensed where the winds were blowing. He sold his palatial French Concession mansion to the American government and retired to Hong Kong, where he died in 1951.<sup>199</sup>

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Du's demise symbolically capped an era officially closed by the victory of the Chinese Communists. That victory brought an end to rule by opium, just as it ended the rule of warlords, landlords, and urban capitalists.

For over a century, millions of Chinese had been sacrificed to the opium poppy to satisfy the imperial ambitions of the Western powers, and then to support the rising power of provincial warlords who financed entire armies out of opium revenues. Peasants forced to grow the poppies, as well as the addicts, were the victims.

Chiang Kai-shek shifted only the direction, not the fundamental character, of this traffic. Rising shakily to national power in 1927, having financed his armies, like those of the warlords, out of opium revenues, Chiang cemented an alliance with powerful underworld gangs which dominated the narcotics traffic and could deliver urban populations to his side. The quid pro quo—protection of the traffic—ensured that China's addicts would get no relief. But more important, this alliance reinforced the political character of the regime. For the urban gangs, like the Shanghai and Nanjing bankers who supported Chiang, ultimately drew their wealth from privileged foreign capital which built the coastal cities into

wealthy enclaves. To the underworld *and* the bankers, Chiang was an instrument for suppressing Communism and fundamental reform.

But Chiang's regime was not merely allied with corruption, it was based on corruption. Once in power, Chiang moved to strengthen his position by taking control of the opium traffic away from the independent warlords, depleting their finances and adding to the central government's revenues. With T. V. Soong's help, Chiang organized an opium monopoly at Hankou. Extending this monopoly through "suppression" campaigns, Chiang effectively extended his political power, as he did when he battled to subdue the independent southwestern provinces.

Ultimately, however, Japan's menacing expansion in Manchuria and northern China frustrated his plans, diverting his armies from the campaigns to suppress Communists and warlords. Just as seriously, the Japanese introduced an unwelcome source of competition into the narcotics trade. The Japanese occupation of Shanghai in 1937 touched off a fierce struggle for control of that huge opium market. China and Japan, through Du Yue-sheng and Dai Li, finally reached an effective compromise. Their collaboration in the opium traffic was only a natural extension of other forms of collaboration, but it revealed the fundamental contempt of both regimes for the Chinese people. The liberation of the Chinese people from opium after 1949, while only one of many achievements, is therefore symbolic of a new era in Chinese history.

## Notes

This study relies heavily on intelligence reports sent to the State Department by Foreign Service officers in China and by the Treasury Department's chief narcotics agent in China, M. R. Nicholson. File numbers refer to State Department archives, record group 59, in the National Archives, Washington, D. C. Reports from Nicholson are prefixed by NR. Wherever possible, the substance of these reports have been checked with alternative sources, such as newspapers. Narcotics trafficking is a secretive business and some of these reports may not be correct. However, Nicholson had a high reputation for accuracy and was widely respected in the US government. For testimony as to his career, see John Pal, *Shanghai Saga* (London: Jarrolds, 1963), 161-62.

1. G. Huang article in *Shanghai Evening Post and Mercury*, 21 October 1935.

2. For general history, see Leonard Adams, "China: The Historical Setting of Asia's Profitable Plague," in Alfred McCoy, *The Politics of Heroin in Southeast Asia* (New York: Charles Scribner's Sons, 1953), 278-280; Eugene Ming Shu Shen, "History of the Opium Question With Reference to China Since 1913," Harvard, 1924.

On international conferences and opium, not dealt with here, see Arnold H. Taylor, *American Diplomacy and the Narcotics Traffic, 1900-1939* (Durham: Duke University Press, 1969).

The Peking government opium scandal may be traced in news reports: *The Peking Times*, 5 June 1918, *The Peking Leader*, 19 June 1918, 21 June 1918, *Peking & Tientsin Times*, 5 December 1918, *North China Star*, 5 December 1918. See also Mr. B. Alston to Lord Balfour, 26 February 1917, and enclosures, in *The Opium Trade, 1910-1914* (London: Scholarly Resources Inc., 1974), IV, xi, 11-15; "Memorandum Respecting the Opium Problem in the Far East," *ibid.*, VI, xxvi, 22-23. Basically, the scandal involved the government's attempt to purchase excess opium stocks from the former Shanghai merchants for resale to the public.

On the general recrudescence of opium poppy cultivation throughout China, see *North China Star*, 19 January 1919, on Fukien; *North China Daily News*, 10 December 1918, on Anhui; *North China Daily News*, 9 January 1919, on Yunnan and Kweichow; *The Peking*

*Leader*, 1 April 1919 on Shensi; and *The Peking Leader*, 4 April 1919 and *New York Times*, 29 November 1918 for the general picture.

Massive Japanese smuggling of narcotics was widely reported by the newspapers in northern China. See *North China Daily News*, 15 September 1915, and the major North China newspapers for December, 1918-February 1919; also *Peking & Tientsin Times*, 5 April 1920, *Chicago Daily News*, 3 November 1921; also Herbert Phillips (Foochow) to B. Alston, 22 December 1921, *The Opium Trade*, V, xvii, 36-37; "Memorandum Respecting the Opium Problem in the Far East," *ibid.*, VI, xxvi, 25.

3. Sir B. Alston to Earl Curzon, 15 May 1921, quoted in Yip Tin Lee, "Opium Suppression in China," unpublished MA thesis, Stanford, 1942, 31-2.

4. O. Edmund Clubb, "The Opium Traffic in China," 24 April 1934, in National Archives Record Group 59, file no. 893.114 Narcotics/738.

5. John L. Buck, *Land Utilization in China* (New York: Council on Economic and Cultural Affairs, Inc., 1956), 206, 323. On the widely reported use of high land taxes to force peasants to grow opium rather than food crops, see NR, 17 October 1935, 893.114 Narcotics/1381.

6. Sir R. MacLeay to Mr. MacDonald, 1 October 1924, *The Opium Trade*, V, xxi, 26; Harley Farnsworth MacNair, *China in Revolution* (New York: Howard Fertig, 1968), 72.

7. Report of Dr. W. H. Graham Aspland, Secretary of the International Anti-Opium Association in Peking, in *China Yearbook, 1928*, 524-25; Leonard Adams, 381; O. E. Clubb, 29-32.

8. O. E. Clubb, 36-38; *China Yearbook, 1928*, 526.

9. Yip Tin Lee, 69-70; "Opium Conference in Nanking," *North China Herald*, 10 November 1928; Frank Buckley, "China's Failure to Suppress Opium Traffic," *Current History*, XXXV (October 1931), 78.

10. *China Yearbook, 1929-30*, 650.

11. Frank Buckley, 78-9; H. G. W. Woodhead, *The Truth About Opium in China* (Shanghai: The Mercury Press, 1931), 55; "Opium in Shanghai," report enclosed with Edward Cunningham dispatch from Shanghai, 3 March 1930, 893.114 Narcotics/105; Diana Lary, *Region and Nation* (Cambridge University Press, 1974), 137-38.

12. League of Nations document C.577.M284.1932.XI, 32-33, 36; Frank Buckley, 78.

13. C.577.M284.1932.XI, 32-34.

14. *Boston Evening Transcript*, 19 November 1931.

15. Woodhead, 13.

16. Clubb, 43-46; George Sokolsky, *The Tinder Box of Asia* (Garden City: Doubleday, 1932), 203; Wilbur Burton, "China's New-Old Road to Ruin," *Asia*, XXXIV (November 1934), 676; *New York Times*, 1 April 1931, 9 August 1931; Garfield Huang, "Opium: Absolute Suppression vs. Monopoly," *Opium: A World Problem*, IV (April 1931), 2; NR, 19 May 1932, 893.114 Narcotics/339.

17. N. T. Johnson dispatch from Peking, 6 July 1932, 893.114 Narcotics/370.

18. *Le Journal de Pékin*, 30 June 1932; *Peking & Tientsin Times*, 2 July 1932; *The Peiping Chronicle*, 5 July 1932; *New York Times*, 17 July 1932.

19. *Peking & Tientsin Times*, 4 July 1932.

20. Letter of Garfield Huang in *Yenching Gazette*, 4 August 1932.

21. N. T. Johnson dispatch, 14 June 1932, 893.114 Narcotics/368; *Washington Post*, 13 March 1931; State Department circular, 29 January 1934, 893.114 Narcotics/625.

22. O. E. Clubb, 48-50.

23. O. E. Clubb, 57-8.

24. Walter Adams (Hankow) to SecState, 31 March 1933, 893.114 Narcotics/483.

25. O. E. Clubb, 59-60; Adams dispatch, 12 May 1933, 893.114 Narcotics/496. Cf. Adams report 317, 10 June 1933, 893.00 PR Hankow/73. Adams notes that the monopoly even permitted refined morphine from Liu Hsiang's Szechuan factories to pass through to Shanghai—after taxation.

26. O. E. Clubb, 63-65.

27. Clubb, 66-67; Adams (Hankow) dispatch, 14 November 1933, 893.00 PR Hankow/78.

28. State Department circular, 29 January 1934, 893.114 Narcotics/625.

29. *Ibid.*

31. Adams (Hankow) dispatch 7 February 1934, 893.114

Narcotics/656; Ilona Ralph Sues, *Shark's Fins and Millet* (Boston: Little, Brown & Co., 1944), 65, 91; Economic Information Service, *How Chinese Officials Amass Millions* (New York, 1948), 4.

32. Adams (Hankow) dispatch, 13 June 1934, 893.114 Narcotics/786.

33. NR, 16 April 1935, 893.114 Narcotics/1131.

34. Woodhead, "The Opium Traffic," *Shanghai Evening Post and Mercury*, 29 December 1934.

35. Far Eastern Division memorandum to Stanley Hornbeck, 7 September 1934; Address of Stuart Fuller, assistant chief of FE, 26 February 1935, Stanley K. Hornbeck papers, Hoover Library, box 93.

36. O. E. Clubb, 90-91; Adams (Hankow) dispatch 11 April 1934, 893.114 Narcotics/708.

37. Francis L. K. Hsu, *Americans and Chinese* (Garden City: Doubleday & Co., 1970), 62.

38. Stilwell (Peiping) G-2 report no. 9316, 5 March 1935, 893.114 Narcotics/1547.

39. Atcheson (Nanking) dispatch, 12 June 1935, 893.00 PR Nanking/88; *Japan Advertiser*, 20 June 1935 (datelined June 3).

40. *The China Press*, 6 July 1935.

41. NR, 14 June 1935, 893.114 Narcotics/1231; NR 29 June 1935, 893.114/1226.

42. Stilwell report, 5 March 1935, 893.114 Narcotics/1547.

43. *Peking & Tientsin Times*, 29 January 1936.

44. N. T. Johnson dispatch, 21 March 1936, 893.114 Narcotics/1547.

45. *China Weekly Review*, 8 February 1936.

46. N. T. Johnson dispatch, 21 March 1936, 893.114 Narcotics/1547.

47. Sokobin dispatch, 5 February 1937,

893.00 PR Tsingtao/ C. Y. W. Meng, "China's Determination to Abolish Opium and Narcotics," *China Weekly Review*, 28 January 1937, 264-65. Papp quoted in Memorandum of Conversation by Vice Consul Drumwright (Shanghai), 8 February 1937, 893.114 Narcotics/1886.

48. NR 30 March 1937, 893.114 Narcotics/1933.

49. Stilwell Report, 5 March 1935, 893.114 Narcotics/1547.

52. "Poppy Growing on the Yunnan Plateau," *Agrarian China* (London: George Allen & Unwin, Ltd., 1939), 120-21; J. C. S. Hall, "The Opium Trade in Yunnan Province, 1917-1937," *Papers on Far Eastern History*, X (September 1974), 1-28; Wilbur Burton in *Baltimore Sun*, 20 September 1933; Wilbur Burton, "Tin and Opium in the Economy of Yunnan," *China Weekly Review*, 28 September 1933, 148; Reed dispatch (Yunnanfu), 13 March 1934, 893.114 Narcotics/698 cites a production figure for 1933 of 130,000,000 ounces.

53. NR 2 February 1937, 893.114 Narcotics/1908; NR 29 April 1935, 893.114 Narcotics/1135; NR 7 October 1935, 893.114 Narcotics/1347; NR 25 February 1937, 893.114 Narcotics/1921.

54. *China Yearbook*, 1931, 600; League of Nations document C.577.M-284.1932.XI, 37-38; *New York Times*, 11 February 1934.

55. On early plans for an opium airline, see J. C. S. Hall, 14-15; and "Translation . . .," enclosure 3, in *The Opium Trade*, VI, xxv, 100. On its actual formation see N. T. Johnson (Peiping), 23 August 1933, 893.796/165. On later developments see NR 15 February 1935, 893.114 Narcotics/1038; NR 10 April 1935; Ringwalt (Yunnanfu) dispatch, 9 April 1935, 893.114 Narcotics/1124; "Summary of Civil Air Transportation Developments in China," 3 May 1944, 800.796/5-344.

56. NR 9 October 1953, 893.114 Narcotics/1347; Diana Lary, *Region and Nation*, 94, 191.

57. NR 12 April 1935, 893.114 Narcotics/1113. See also NR 18 February 1935, 893.114 Narcotics/1067; *The Peiping Chronicle*, 12 February 1935.

58. NR 19 March 1935, 893.114 Narcotics/1100.

59. *Ibid.*; NR 26 April 1935, 893.114 Narcotics/1139.

60. NR 9 October 1935, 893.114 Narcotics/1347.

61. Stilwell Report, 5 March 1936, 893.114 Narcotics/1547; Diana Lary, *Region and Nation*, 191.

62. Ringwalt (Yunnanfu) dispatch, 1 July 1935, 893.00 PR Yunnan/81.

63. Ringwalt dispatch, 16 May 1935, 893.114 Narcotics/1208.

64. NR 9 October 1935, 893.114 Narcotics/1347.

65. NR 14 July 1936, 893.114 Narcotics/1679.

66. Diana Lary, *Region and Nation*, 199; John Gunther, *Inside Asia*, 197.

67. J. C. S. Hall, 26, cf. 28.
68. Walter Adams (Hankow) dispatch 11 April 1934, 893.114 Narcotics/708.
69. Harry Anslinger letter, 19 January 1934, 811.114 N 16 China/250; Alfred McCoy, *The Politics of Heroin in Southeast Asia*, 15.
70. League of Nations document C.577.M284.1932.XI, 32-34; C.621.M.243.1930.XI, 24-25.
71. Treasury Department, Bureau of Narcotics, *Traffic in Opium and Other Dangerous Drugs, Report for the Year Ended December 31, 1931* (USGPO, 1932). (Hereafter referred to as "Bureau of Narcotics [1931]".)
72. Special report by Agent Hanks, 12 April 1930, 811.114 N 16 China/113.
73. Bureau of Narcotics (1933), 5, 35.
74. Bureau of Narcotics (1933), 7; Bureau of Narcotics (1934), 6-7, confirms this judgment.
75. Alfred McCoy, 15; United Nations document E/C.S.7/9 (27 November 1946), 6.
76. H. Anslinger letter to Stuart Fuller, 3 August 1936, 893.114 Narcotics/1654.
77. Bureau of Narcotics (1935), 6-7.
78. Willys Peck memorandum of conversation with J. Heng Liu, 20 October 1934, 893.114 Narcotics/911. Peck spoke with Liu on Gauss's orders.
79. Bureau of Narcotics (1936), 18-19; Bureau of Narcotics (1937), 14, 16, 17.
81. NR 17 October 1934, 893.114 Narcotics/917.
82. Ibid.
83. Ibid.; Peter Dale Scott, *The War Conspiracy* (New York: Bobbs-Merrill, 1972), 204.
84. NR 23 April 1935, 893.114 Narcotics/1159; NR 18 April 1935, 893.114 Narcotics/1130; NR 21 January 1935, 893.114 Narcotics/1008.
85. Frederick T. Merrill, *Japan and the Opium Menace in China* (New York: IPR, 1942), 24; Percy Finch, *Shanghai and Beyond*, 278.
86. Nelson T. Johnson dispatch circular, 18 January 1929, 811.114 N 16 China/20; cf. *Opium: A World Problem I* (July 1, 1927), 15.
87. Ernest O. Hauser, *Shanghai: City for Sale* (New York: Harcourt, Brace & Co., 1940), 119; John Pal, *Shanghai Saga*, 27.
88. John Pal, 36-40.
89. G. E. Miller (pseud.), *Shanghai: The Paradise of Adventurers* (n.p., n.d.), 153-54; Bureau of Narcotics (1933), 18-20; Bureau of Narcotics (1947), 18; 800.114 N 16 Ezra, Judah/file; Bureau of Narcotics (1954), 22.
90. *Shanghai Evening Post and Mercury*, 11 July 1933; Cunningham (Shanghai) dispatch 30 September 1933, 800.114 N 16 Ezra, Judah/32; Bureau of Narcotics report, "Ezra Case," 28 September 1933, 800.114 N 16 Ezra, Judah/36.
91. William Phillips dispatch to N. T. Johnson, 14 August 1936; 893.114 Narcotics/1674; Bureau of Narcotics, "Ezra Case," *North China Herald*, 26 July 1933.
92. NR 25 January 1935, 893.114 Narcotics/1058; NR 9 October 1935, 893.114 Narcotics/1348; NR 31 October 1935, 893.114 Narcotics/1402.
94. NR 9 October 1935, 893.114 Narcotics/1348; *Shanghai Evening Post and Mercury*, 23 October 1935.
95. Gordon L. Burke (Foochow) dispatch, 14 October 1935, 893.114 Narcotics/1355; NR 27 February 1936, 893.114 Narcotics/1528; NR 25 January 1935, 893.114 Narcotics/1058; NR 26 August 1936, 893.114 Narcotics/1718; Haldore Hansen, "Fukien Drug Rackets Not Japanese Run," *North China Herald*, 2 September 1936. On Ye's secret Amoy red pill factories, see NR 30 November 1936, 893.114 Narcotics/1819. The significance of Shanghai and Amoy as principal Persian opium racket centers is described in Edwin Cunningham (Shanghai) dispatch, 17 October 1935, 893.114 Narcotics/1359; and League of Nations, *Traffic in Opium and Other Dangerous Drugs, Annual Reports by Government for 1935, China*, O.C./A.R.1935/51.
96. NR 9 November 1934, 893.114 Narcotics/927; NR 9 October 1935, 893.114 Narcotics/1348; NR 18 September 1936.
97. NR 9 October 1935, 893.114 Narcotics/1348; cf. "List of Chinese Officials Visiting Foreign Countries on Government Missions, January to September 1934," enclosure in 893.114 Narcotics/917.
98. NR 30 December 1938, 893.114 Narcotics/2429.
99. Dick dispatch, 3 August 1936, 893.00 PR Amoy/107; Burke dispatch, 3 September 1936, 893.00 PR Foochow/103; NR 18 September 1936; NR, 21 September 1936, 893.114 Narcotics/1729; NR 26 August 1936, 893.114 Narcotics/1718.
100. NR 17 March 1937; Dick dispatch, 6 July 1937, 893.00 PR Amoy/118; Altaffer dispatch, 7 August 1937, 893.00 PR Amoy/119; *North China Herald*, 30 June 1937.
101. Marvin Miller, *Organized Crime Behind Nixon* (City of Industry: Therapy Productions, Inc., 1974), 34-39.
102. Bureau of Narcotics (1931), 43; Bureau of Narcotics (1932), 38; Bureau of Narcotics (1941), 14-15; Bureau of Narcotics (1943), 23-25; Memorandum of 13 April 1931, 900.114 N 16 Eliopoulos, Elie/1; Gauss dispatch from Tientsin, 18 June 1931, 800.114 N 16 Eliopoulos, Elie/5; Harry Anslinger, *The Murderers* (New York, 1961), 56-73; quote is from undated memorandum, 4 May 1931, 800.114 N 16 Eliopoulos, Elie/2. For brief biographies of the ring members, see *The Opium Trade*, VI, xxx, 6-8.
103. Bureau of Narcotics (1937), 32-33; *New York Times*, 21 November 1937. Anslinger, 125-31; Will Oursler and Laurence Smith, *Narcotics: America's Peril* (Garden City, N.Y., 1952), 83-91.
104. Miller, 39; Bureau of Narcotics (1937), 20-21; Bureau of Narcotics (1938), 53-54; Bureau of Narcotics (1941), 16-18; Bureau of Narcotics (1944), 28-29; Anslinger, 46ff.
- 104.5 *Peking & Tientsin Times*, 26 October 1934; cf. "The Rise and Growth of the 'Ch'ing Pang,'" *People's Tribune*, VII (1 August 1934), 115.
- 104.7 For a general overview of Ch'ing Pang origins, see Jean Chesneaux, *Secret Societies in China in the Nineteenth and Twentieth Centuries* (Ann Arbor: University of Michigan Press, 1971), 47-51. Other useful sources include "The Rise and Growth of the 'Ch'ing Pang,'" 115-20; James Hutson, "Chinese Secret Societies," *China Journal*, X (January 1929), 12; Tien Tsung, "Chinese Secret Societies," *Orient*, III (October 1952), 48-50; Suemitsu Takayoshi, *Shina No Himitsukessha To Jizenkessha* (Manshu: Hyoronsha, 1932), 5-6.
105. Boorman, *Biographical Dictionary of Republican China*, I, 319-21; Harold Isaacs, *Tragedy of the Chinese Revolution* (Stanford, Calif.: Stanford University Press, 1951), 81; Theodore H. White and Annalee Jacoby, *Thunder Out of China* (New York: William Sloane Associates, Inc., 1946), 120-21; Ernest O. Hauser, *Shanghai: City for Sale* (New York: Harcourt Brace & Co., 1940), 170-71, 285; *China Forum*, May 1932, 16; Mark Gayn, *Journey from the East* (New York: Alfred A. Knopf, 1944), 336; Edgar Snow, *Red Star Over China*, 17; O. E. Clubb, *Twentieth Century China* (New York: Columbia University Press, 1972), 144; Paul Linebarger, *The China of Chiang Kai-shek* (Boston: World Peace Foundation, 1941), 261; Percy Flinch, *Shanghai and Beyond*, 148-49; Agnes Smedley, *The Great Road* (New York: Monthly Review Press, 1956), 156, 179; Carl Glick and Hong Sheng-hwa, *Swords of Silence* (New York: McGraw Hill, 1947), 251-51; *China Yearbook*, 1928, 136; Willys Peck to C. E. Gauss, 23 January 1935, 893.114 Narcotics/1024.
106. Hung-mao Tien, *The Government and Politics of Kuomintang China, 1927-1937* (Stanford, Calif.: Stanford University Press, 1972), 48n.
107. Mark Gayn, *Journey from the East*, 138; Harold Isaacs, *Tragedy of the Chinese Revolution*, 143.
108. Robert C. North, *Moscow and the Chinese Communists* (Stanford, Calif.: Stanford University Press, 1963), 92-93. 108. C. E. Gauss dispatch, 21 February 1927, 893.00/8299; Gauss dispatch, 23 March 1927, 893.00/8421.
109. Isaacs, 145; Gayn, 148, 151; Gauss dispatch, 8 April 1927, 893.00/8624; *China Yearbook*, 1928, 1361.
110. Isaacs, 143-45, 152-53; Boorman, *Biographical Dictionary of Republican China*, III, 328-29; Y. C. Wang, "Tu Yueh-sheng (1888-1951): A Tentative Political Biography," *Journal of Asian Studies*, XXVI (May 1967), 437; Nym Wales, *The Chinese Labor Movement* (New York: John Day Co., 1945), 53.
111. Isaacs, 175; Harold Isaacs, "Gang Rule in Shanghai," *The China Forum*, May 1932, 17; John B. Powell, *My Twenty-five Years in China*, 154, 158-59; Agnes Smedley, *The Great Road*, 191; George Sokolsky, "The Kuomintang," *China Yearbook*, 1928, 1362; John Pal, *Shanghai Saga*, 50; Jack Belden, *China Shakes the World* (New York: Harper & Brothers, 1949), 148; Suemitsu Takayoshi, 4; Percy Finch, *Shanghai and Beyond*, 160; Nym Wales, *The Chinese Labor Movement*, 73, 75-76, etc.; OSS, *Political Implications of Chinese Secret Societies* (R&A 2254, 1945), 33-35. Tu gained much of his prestige by his

continued ability to control strikes and destroy communist remnants in Shanghai. See Y. C. Wang, 438-39, 440-41; Isaacs, "Gang Rule in Shanghai," 18. Moreover, Tu Yue-sheng protege Chu Hsueh-fan was president of the Chinese Association of Labor which represented Chinese labor before the International Labor Organization. See Nym Wales, 122n; Randall Gould, *China in the Sun*, 358; Yang Wei, *I tai bao-bsia Tu Yueh-sheng*, 32. It was probably because of his ability to control labor that Shanghai Power, the subsidiary of American and Foreign Power, put Tu on its payroll. See Edgar Snow, *The Battle for Asia* (New York: Random House, 1941), 79.

112. Isaacs, "Gang Rule in Shanghai," 18; Boorman, *Biographical Dictionary of Republican China*, III, 329; Y. C. Wang, 438.

113. Sir S. Barton, UK Consul-General, Shanghai, to Sir M. Lampson, 1 December 1927, *The Opium Traffic, 1910-1941*, VI, xxv, 5-7; "Memorandum Respecting the Opium Problem in the Far East," *The Opium Traffic, 1910-1941*, VI, xxvi, 38-39; "Confidential Report on the Traffic in Opium at Shanghai," *ibid.*, 65-66.

114. Shanghai International Settlement police intelligence reports, May 25 and 28, 1930, *The Opium Trade, 1910-1941*, VI, xxvii, 72; Consul-General Brenan to M. Lampson, 29 May 1930, *ibid.*, 67; Brenan to A. Henderson, 30 July 1930, and enclosure, *ibid.*, 94-95.

115. Isaacs, "Gang Rule in Shanghai," 18; Agnes Smedley, *The Great Road*, 191-92.

116. Isaacs, "Gang Rule in Shanghai," 18; Y. C. Wang, 440-41; Boorman, III, 329; John Pal, *Shanghai Saga*, 51; Chang, *Tu Yueh-sheng Chuan* (Taipei, 1967), 284-314.

117. O. E. Clubb, "The Opium Traffic in China," 84n; NR 27 March 1934, attached to 893.114 Narcotics/713. This fact alone should cast doubt on Wang's assertion that Tu got out of the opium trade by 1931. Cf. Carroll Alcott, *My War with Japan* (New York: Henry Holt and Co., 1943), 99.

118. Willys Peck (Nanking) dispatch, 23 January 1935, 893.114 Narcotics/1024; cf. Willys Peck personal letter to Stanley Hornbeck, 19 January 1935, Hornbeck paper, box 336 (Hoover Library, Stanford, Calif.). Quote from Hu Shih in N. T. Johnson memo of conversation, 3 July 1934, 893.114 N 16/802.

119. Isaacs, "Gang Rule in Shanghai," 18; NR 19 May 1932, 893.114 Narcotics/359; Suemitsu Takayoshi, 27-28; Wilbur Burton, "China's New-Old Road to Ruin," 676; Ilona Ralf Sues, *Shark's Fins and Millet*, 70-71; Frederick T. Merrill, *Japan and the Opium Menace* (New York: IPR, 1942), 34; John Pal, *Shanghai Saga*, 82; Randall Gould, *China in the Sun*, 54; Y. C. Wang, following Tu's laudatory Chinese biographers, denies Tu's involvement in Soong's near demise: Y. C. Wang, 433n, 439. He may be correct, since Tu's involvement was only widely rumored and never proven. See also Chang, *Tu Yueh-sheng Chuan*, 46-48. Indication of the reconciliation between T. V. Soong and Tu Yueh-sheng was the outspoken support given Soong for the position of Finance Minister by such groups as the Shanghai Labor Union, Chinese Ratepayers Association, and Shanghai Citizens Federation, all of which Tu controlled. *China Weekly Review*, 4 November 1933.

120. Y. C. Wang, 441; Boorman, III, 329; John B. Powell, *My Twenty-five Years in China*, 157; Glick and Hong, *Swords of Silence*, 253; Tadao Sakai, "Le Hongbang (Bande Rouge) aux XIX<sup>e</sup> et XX<sup>e</sup> siècles," in Jean Chesneaux, ed., *Mouvements Populaires et Sociétés Secrètes en Chine aux XIX<sup>e</sup> et XX<sup>e</sup> siècles* (Paris: Francois Maspero, 1970), 328; Isaacs, "Gang Rule in Shanghai," 18. When the "Shanghai Incident" ended with a Japanese withdrawal, the Shanghai Citizens Emergency Committee was renamed the Shanghai Civic Federation. It continued to gather secret intelligence on the Japanese. Its first chairman, Shih Liang-ts'ai, was assassinated and Tu Yueh-sheng took his place. See Boorman, III, 329; Y. C. Wang, 441; John Gunther, *Inside Asia*, 267.

121. Burke dispatch, 2 August 1933, 893.00 PR Foochow/67; NR 27 March 1934, 893.114 Narcotics/713; Frederick T. Merrill, *Japan and the Opium Menace*, 26.

122. Percy Finch, *Shanghai and Beyond*, 297; *China Yearbook*, 1931; *China Yearbook*, 1933, 460; Suemitsu Takayoshi, 23; Y. C. Wang, 438-39; John Pal, *Shanghai Saga*, 41; Barton to M. Lampson, *The Opium Traffic, 1910-1941*, VI, xxv, 110; P. H. Lee, "Opium and Extraterritoriality," *Opium: A World Problem*, II (April 1929), 36.

123. Percy Finch, *Shanghai and Beyond*, 297-300; John B. Powell, *My Twenty-five Years in China*, 137; Isaacs, "Gang Rule in Shanghai," 18; *La Lumière* (Paris), 18 June 1932; Arch Carey, *The War Years at Shanghai* (New York: Vantage Press, 1967), 225-26; *Peking & Tientsin Times*, 28 June 1932; H. G. W. Woodhead, "The Local Opium

Situation: The Foreign Areas," *Shanghai Evening Post and Mercury*, 24 July 1933; Woodhead interview with M. Wilden, French Minister in Peking, 21 October 1932, in *The Opium Trade, 1910-1941*, VI, xxx, 8-9, also in Cunningham (Shanghai) dispatch, 2 December 1932, JA 893.114 Narcotics/444; Brenan dispatch to Ingram, 7 November 1932, *The Opium Trade, 1910-1941*, VI, xxx, 2-3; Report of Treasury representative Irving S. Brown, 28 September 1933, enclosed in Treasury Department memorandum to Secretary of State, 9 November 1932, 893.114 Narcotics/420.

124. Treasury Department memorandum to Secretary of State, 9 November 1932, 893.114 Narcotics/420; Cunningham dispatch, 2 December 1932, JA 893.114 Narcotics/444; Cunningham report, 31 July 1933, 893.114 Narcotics/528; *Peking & Tientsin Times*, 28 June 1932; *Peking & Tientsin Times*, 11 November 1932; H. G. W. Woodhead, "The Local Opium Situation," *Shanghai Evening Post and Mercury*, 24, 25 July 1933. See also Y. C. Wang, 440n on Tu's control of the newspapers.

125. NR, "Opium Export Rights in Kewichow and Yunnan," 12 April 1935, 893.114 Narcotics/1118.

126. NR 16 April 1935, 893.114 Narcotics/1131.

127. *Peking and Tientsin Times*, 26 October 1934; F. P. Lockhart (Tientsin) dispatch, 29 October 1934, 893.00/12883; Bureau of Narcotics (1936), 18-19; Bureau of Narcotics (1937), 20-21. On Tu's international operations, see Ilona Ralf Sues, *Shark's Fins and Millet*, 69.

128. NR 9 October 1935, 893.114 Narcotics/1367.

129. Treasury Department report on Shanghai narcotics traffic, 20 February 1934, 893.114 Narcotics/669; Cunningham (Shanghai) dispatch, 19 February 1934, 893.114 Narcotics/653; O. E. Clubb, "The Opium Traffic in China," 70; Adams (Hankow) dispatch, 9 April 1934, 893.00 PR Hankow/83.

130. NR 29 June 1935, 893.114 Narcotics/1224.

131. NR 11 February 1935, 893.114 Narcotics/1016; NR 14 September 1936, 893.114 Narcotics/1731; Frederick T. Merrill, *Japan and the Opium Menace*, 34-35; Ilona Ralf Sues, *Shark's Fins and Millet*, 92-93.

132. NR 14 September 1936, 893.114 Narcotics/1731; Cunningham dispatch, July 1935, 893.00 PR Shanghai/82; Cunningham dispatch, 17 October 1935, 893.114 Narcotics/1359; NR, 19 May 1932, 893.114 Narcotics/359.

133. Gauss (Shanghai) dispatch, 18 May 1937, 893.114 Narcotics/1971; Gauss dispatch, 21 June 1937, 893.114 Narcotics/1999.

134. This was confirmed by C. S. Franklin, Chairman of the Shanghai Municipal Council; see Clarence Gauss dispatch, 22 June 1937, 893.114 Narcotics/2013.

135. "Council May Stop Opium License Scheme in Settlement," *China Weekly Review*, 17 July 1937; Gauss dispatch, 24 June 1937, 893.114 Narcotics/2014 and attachments; Gauss dispatch 17 September 1937, 893.00 PR Shanghai/107.

136. *China Yearbook*, 1933, 460; *China Yearbook*, 1935, 381. On the size of his fortune, see *China Weekly Review*, 10 July 1937.

137. *China Yearbook*, 1933, 460-61; *China Yearbook*, 1936; *China Handbook*, 1937-1943 (New York: MacMillan, 1943); *Who's Who in China*, 5th ed. (China Weekly Review, 1936), 8, 237-38; Economic Information Service, *How Chinese Officials Amass Millions*, 4, 18, 20; *Biographies of Kuomintang Leaders* (Harvard, mimeo., 1948); Percy Finch, *Shanghai and Beyond*, 296. *China Press Weekly* noted on 15 June 1935 that when he formally assumed his duties in the Commercial Bank of China, he was "literally bombarded with congratulatory messages."

138. *The China Press Weekly*, 11 May 1935; State Department memorandum to Bureau of Narcotics, 8 July 1935, 893.114 Narcotics/1191; Cunningham (Shanghai) dispatch, 10 June 1935, 893.114 Narcotics/1199; Julian Schuman, *Assignment China* (New York: Whittier Books, Inc., 1956), 26. China Press had formerly been owned by the famous opium merchant Edward Ezra. John Pal, *Shanghai Saga*, 27.

139. NR 24 October 1936, 893.114 Narcotics/1753; Ilona Ralf Sues, *Shark's Fins and Millet*, 71.

140. *China Press Weekly*, 11 May 1935; *China Yearbook*, 1935, 357, 381, 409.

141. *China Yearbook*, 1936, 215.

142. NR 14 September 1936, 893.114 Narcotics/1731.

143. Y. C. Wang, 443-44; Yang Wei, *I tai bao-bsia Tu Yueh-sheng*,

passim; Boorman, III, 329; Percy Finch, *Shanghai and Beyond*, 301, 301; John Hunter Boyle, *China and Japan at War, 1937-1945: The Politics of Collaboration* (Stanford, Calif.: Stanford University Press, 1972), 278-79; Carl Glick and Hong Sheng-hwa, *Swords of Silence*, 253-54; Tadao Sakai, "Le Hongbang . . .," 332-33; K. M. Pannikar, *In Two Chinas* (London: Allen & Unwin, 1955), 31.

144. NR 21 October 1938, 893.114 Narcotics/2379.

145. *Ibid.*

146. NR 28 November 1938, 893.114 Narcotics/2400.

147. NR 21 October 1938, 893.114 Narcotics/2379.

148. NR 1 July 1939, 893.114 Narcotics/2606½; NR 21 October 1938, 893.114 Narcotics/2379.

149. NR 25 November 1938, 893.114 Narcotics/2399; NR 25 November 1938, 893.114 Narcotics/2393; NR 8 December 1938, 893.114 Narcotics/2395.

150. NR 25 November 1938, 893.114 Narcotics/2399.

151. *Ibid.*

152. *Ibid.*

153. Frank Lockhart dispatch, 21 June 1938, 893.114 Narcotics/2287.

154. NR 27 December 1938, 893.114 Narcotics/2426; OSS R&A 2565.1, "Who's Who in the Nanking Puppet Regime," 30 March 1945.

155. NR 16 December 1938, 893.114 Narcotics/2417.

156. *Ibid.*; NR 29 December 1938, 893.114 Narcotics/2427.

157. NR 19 January 1939, 893.114 Narcotics/2450.

157.5. NR 9 February 1939, 893.114 Narcotics/2495.

158. NR 1 March 1940, 893.114 Narcotics/2748; NR 7 March 1940, 893.114 Narcotics/2747; Y. C. Wang, 445.

159. Ellen Jacobsen (Nicholson aide) report, 28 July 1941, 893.114 Narcotics/3074.

160. *Christian Science Monitor*, 5 June 1940; W. Blythe, 31-32; Edward R. Rice (Sian) to Patrick Hurley (Chungking), 20 February 1945, *Amerasia Papers*, II, 1550-51.

161. NR 16 December 1938, 893.114 Narcotics/2417.

162. OSS R&A 2254, "Political Implications of Chinese Secret Societies"; G-2 memorandum, "Occupation of Shanghai," 8 October 1943, *Amerasia Papers*, I, 273-4; OSS CID 46914; Wilfred Blythe, 31; Mark Gayn, *Journey From the East*, 414; OSS R&A 2565.1.

163. Blythe, 31; Y. C. Wang, 444-5; Rhodes Farmer, *Shanghai Harvest*, 247; John Pal, *Shanghai Saga*, 19, 186, 188; OSS CID 46914; Y. C. Wang, 444-5. The OSS document attributes Lu's slaying to Ch'ang Yu-ch'ing.

164. Y. C. Wang, 446.

165. G-2 memorandum, "Occupation of Shanghai," 8 October 1943.

166. John S. Service memorandum, 4 August 1944, *Amerasia Papers*, I, 734; John Davies memorandum, "The Shanghai Underground," 19 November 1944, file #110, box 10, Stilwell papers, Hoover library.

167. *Smuggling in China—A Danger to World Trade* (Peiping: Peiping National University, 1936); P. T. Chen, *The North China Smuggling Situation: A Documentary Review* (Chinese Yearbook Publishing Co., 1936); Barbara Tuchman, *Stilwell and the American Experience in China, 1911-1945* (New York, Macmillan, 1970), 199; Randall Gould, *China in the Sun*, 151; John Powell, *My Twenty-five Years in China*, 288-9.

168. According to one estimate, Japan's revenue from the drug trade was sufficient to finance its entire army in Manchuria. Carrol Alcott, *My War With Japan*, 225 (cf. also chapters 11 and 13 on the drug trade). An indication of the quantities of heroin produced in Tientsin is the fact that in nine months of 1935, Tientsin imported 14,705 kg. of acid acetic anhydride (essential for refining heroin), compared to 4 kg. for Nanking, which also had morphine factories. Memorandum to Bureau of Narcotics, 3 December 1935, 893.114 Narcotics/1393. After the war, U.S. Occupation authorities in Japan seized 47,838 kg. of opium, not including narcotics, as of 19 January 1946. UN document E/C.S.7/60, 5.

The best reports on Japan's narcotics activities in North China are the reports of Treasury agent Nicholson, found in the State Department's 893.114 Narcotics/files. Some of these became exhibits in the Proceedings of the International Military Tribunal for the Far East (IMFTE). See testimony and exhibits in IMFTE Proceedings, 2648-75, 2676-91, 4407ff, 4663-4908. Also see Yip Tin Lee, "Opium Suppression in China," 53-65. Among the many published sources are C. D. Alcott's articles in *China Press*, 4, 5, 6, 7 December 1938;

Frederick T. Merrill, *Japan and the Opium Menace*; Hunter Boyle, *China and Japan at War*, 99-100; Willard Price, "The New Narcotics Peril," *Asia*, XXXVIII (October 1938), 575-578; S. J. Fuller article in *China Quarterly*, V (Winter 1939), 113-127; Bureau of Narcotics (1938), 69-75; Bureau of Narcotics (1942), 6-9; Bureau of Narcotics (1946), 4-5; SecState to Joseph Grew, 12 September 1938, *Foreign Relations of the United States*, 1938, IV, 561-7; "Heroin Racket Flourishing in Shanghai," *North China Herald*, 27 May 1936; American Information Committee, *Narcotic Trafficking and the Japanese Army*, 8 March 1939; Marcus Mervine, "Japanese Concession in Tientsin and the Narcotics Trade," *International Bulletin* (Nanking), III (11 February 1937), 83-97; Bingham Dai, "The Opium Condition in Manchuria," *Opium: A World Problem*, III (April 1930), 1-23; M.S. Bates, "Reports on Narcotics in Nanking," *China Information Service*, no. 35, 21 December 1939, 3-5.

169. Theodore H. White and Annalee Jacoby, *Thunder Out of China*, 72; Graham Peck, *Two Kinds of Time*, 18-21; Gauss dispatch, 27 November 1942, *Amerasia Papers*, I, 223-227; OSS CID 106327; OSS R&A branch, "Trade Between Occupied China and Free China," situation report no. b, 16 June 1942, box 323, Hornbeck papers.

170. On Tai Li's smuggling, see Graham Peck, *Two Kinds of Time*, 140; Ringwalt (Kweilin) dispatch, 8 August 1944, *FR*, 1944, VI, 138-9; John P. Davies memorandum, *ibid*, 726; Han Suyin, *Birdless Summer*, 116. On Tai Li's recruitment from Ch'ing Pang, see Ernest O. Hauser, *Shanghai: City for Sale*, 295; Randall Gould, *China in the Sun*, 356.

171. Y. C. Wang, 445-6; Yang Wei, 39ff.

172. Yang Wei, 66; G-2 Report, "Tu Yueh-sheng," 8 October 1943.

173. Graham Peck, *Two Kinds of Time*, 549; Han Suyin, *Birdless Summer*, 84; Boorman, III, 329; Yang Wei, 22; Randall Gould, *China in the Sun*, 359.

174. Han Suyin, 85-7, 116; Liao T'ai-ch'ü, "The Ko Lao Hui in Szechuan," *Pacific Affairs*, XX (June 1947), 170; G. Atcheson (Chungking) dispatch, 9 July 1943, 893.114 Narcotics/3168; OSS report, "Political Implications of Chinese Secret Societies," 37-38.

175. Lincoln C. Brownell MID report, "Chinese 24th Army," 6 July 1944, in *Amerasia Papers*, I, 654-655; OSS report, "Political Implications of Chinese Secret Societies," 38; *China Press*, 5 August 1947.

175.5 Yunnanese troops also posed a threat. For an account of a major battle fought over opium between Yunnanese and central government troops, see Troy Perkins (Kunming), 21 July 1942, 893.114 Narcotics/3156.

176. Arthur Ringwalt (Kweilin) dispatch, 7 June 1943, attachment to 893.114 Narcotics/3168; Y. C. Wang, 451-2; Yang Wei, 66-9; Han Suyin, 86; P. L. Thyraud de Vosjoli, *Lamia* (Boston: Little Brown, 1970), 86.

177. Miles describes his activities in *A Different Kind of War* (Garden City: Doubleday, 1967); cf. Roy O. Stratton, *SACO: The Rice Paddy Navy* (1950).

178. P. L. T. de Vosjoli, *Lamia*, 86; Mark Gayn and John C. Caldwell, *American Agent* (New York: Henry Holt & Co., 1947), 90, 104ff, 108; John C. Caldwell, "General Report on Fukien Province," September 1944, *Amerasia Papers*, II, 956-957.

179. Gayn and Caldwell, 90.

180. Milton Miles, *A Different Kind of War*, 248, 249-50; OSS R&A 2565.1.

181. Miles, 247-48.

182. On COI program, see M. P. Goodfellow memorandum to General Le, box 3, Goodfellow papers, Hoover library. On Caldwell's activities, see Gayn and Caldwell, 91, 103, 133-34. Caldwell later became known as an anti-communist spokesman, and joined the American branch of Chiang Kai-shek's Asian People's Anti-Communist League, the American Afro-Asian Educational Exchange.

Caldwell was not the only one lobbying for allied use of the pirates. Col. Gilbert Stuart, an Australian soldier of fortune and the only Westerner in the Chinese army, was a major force behind the organization of the pirates for intelligence and behind Chungking's acceptance of the plan. See his manuscript autobiography in Stuart papers, Hoover library.

183. Miles, 250-51.

184. *New York Times*, 20 November 1946.

185. Miles, 508-9, 527, 533; Graham Peck, *Two Kinds of Time*, 645; Y. C. Wang, 449; Randall Gould, *China in the Sun*, 105; Percy

Finch, 305.

186. Carl Glick and Hong Sheng-hwa, *Swords of Silence*, 254.

187. He did, however, donate 100,000,000,000 (highly inflated) Chinese dollars to the Shanghai Special Relief Levy Committee. *Sin Wen Pao*, 3 August 1948.

188. "Memorandum for A-7 files," 3 July 1945, Milton Miles papers, Naval History Division; 21 April 1945 memorandum from Coe to Morgenthau, in *Morgenthau Diary* (China), III, 1486-1488.

189. Tu's Chung Wai bank was one of 15 Chinese banks in Shanghai which handled UNRRA flour sales (*North China Daily News*, 26 February 1946). Most of these supplies were diverted to the black market. Tu was also a director of China Merchants Steamship Navigation Company which took part in excessive profit-making on Yangtze River shipping; see "China in Travail," *The Round Table*, December 1947, 441.

190. John Pal, *Shanghai Saga*, 120.

191. Graham Peck, *Two Kinds of Time*, 683; *Lib Pao*, 29 August 1947, lists Du's affiliations.

192. In 1945, Du was reported to be one of the promoters of

Chen Li-fu's new Chungking daily, *Min-chu Jib-pao* (MIS, "Who's Who" report on Du Yue-sheng, 5 July 1945, Miles papers, Naval History Division). Du remained close to the CC press organs such as *Sbun Pao*, *Lib Pao*, and *Shang Pao*. See "Survey of the Chinese Press," January 10, 1949, in box 5, R. Allen Griffin papers, Hoover Library, Stanford.

193. *Sbun Pao*, 27 May 1946.

194. *Wen Hui Pao*, 9 December 1946; *Sin Min Wan Pao*, 2 December 1946, 6 January 1947; *Chung Yan Jib Pao*, 27 July 1947.

195. *Sbun Pao*, 1 February 1947.

196. Y. C. Wang, 449-453; *Ta Chung Yeh Pao*, 2 September 1948; *Sin Wen Pao*, 8 September 1948; *Ta Kung Pao*, 5 November 1948.

197. Christopher Rand, "Letter from Shanghai," *New Yorker*, 6 November 1948, 93.

198. *China Personalities* (CC-connected), No. 2, 28 December 1948.

199. Arch Carey, *The War Years at Shanghai* (New York: Vantage Press, 1967), 225.

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