

Whang Jingwei's Nanking Puppet Government

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On Dec 22nd 1938, Japanese prime minister issued "three principles" as to peace with China. Unable to win militarily, Japanese sought for Chinese puppet and traitors for establishing so-called "Greater East Asia Co-prosperity Sphere". In Peking, Japanese failed to get Wu Peifu submit to their demands after Wu Peifu put up a coffin to show his disinterest in serving Japanese. (Later, Wu Peifu died in a mysterious circumstance, which some people suspected to be a Japanese assassination.) Japanese already established a so-called Liang Hongzhi 'Reform Government' in Nanking in a similar fashion to the puppet Wang Kemin 'Interim Government' of Peking. After winning over Whang Jingwei, Japanese established a puppet 'National Government' in Nanking in 1940.



Li Ao stated that Whang Jingwei intended to break the impasse by severing himself from Chiang Kai-shek's government so that he could strike a "peace" deal with Japan by circumventing around Japan's no-contact statement as to Chiang Kai-shek. Tang Ren's writing on Chiang Kai-shek had painted a picture of a secret deal between Chiang Kai-shek and Whang Jingwei in regards to Japan liaison. Zhang Lingao's recollections, however, showed that both Zhou Fohai and Whang Jingwei had been fooled by Gao Zongwu, i.e., a pro-peace faction inside of Foreign Ministry which had played a positive role in resolving several "diplomatic crises" that would include the Chengdu Incident & Beihai Incident etc.



Gao Zongwu, a graduate of Japan's Kyushu Empire University, used to be Whang Jingwei's interpreter. Prior to and at the time of resistance war, Gao Zongwu organized a so-called "low-tone club" in Nanking, while Hu Shi advocated for another negative slogan by claiming that China could not win a war without American-British intervention. Before the loss of Nanking in Dec 1937, Gao Zongwu dispatched Dong Daoning to Shanghai for contacts with German & Japanese. Dong Daoning, with funding from Zhou Zuomin of Jincheng Bank in Shanghai, shuttled between Shanghai, Tokyo & HK, while Zhou Zuomin befriended the son of Inukai Tsuyoshi. On the ship to Wuhan, Gao Zongwu encountered Zhou Fohai, i.e., a graduate of Kyoto Empire University, and absorbed Zhou Fohai of Propaganda Ministry into his "low tone club". At the suggestion of Zhou Fohai [Fuhai], Chiang Kai-shek

dispatched Gao Zongwu to HK for studying options of making peace with Japan, i.e., an organization that was precursor to later "International Research Institute". In Shanghai, Dong Daoning got in touch with representative of Japanese-controlled Manchukuo Railway, and then made a trip to Tokyo for meetings with Japan's infantry ministry. Japan asked Dong Daoning relay letters back to Heh Yingqin & Zhang Qun, i.e., both being classmates of Japan's Infantry Cadet Academy. In Jan 1938, Yang Yunzhu rolled down ROC flag from Chinese embassy in Tokyo and returned home. On March 1st, Gao Zongwu & Dong Daoning flew to Hankou, and passed on Japanese intent through Zhou Fohai. Chiang Kai-shek asked they could not agree Gao to go back to HK and pass on his opinions to Japanese. Japanese claimed with Chiang's demands. On June 22nd, Gao personally flew to Tokyo, met with Itagaki Seishiro, and figured out that Japan wanted Chiang Kai-shek out. Gao, afraid of punishment for violating Chiang's order against flying to Japan, stayed on in HK, and asked Zhou Rongxiang fly to Chongqing for seeing Zhou Fohai. Zhou Fohai first went to see Whang Jingwei with Japan's "nomination" as a replacement for Chiang Kai-shek. Chiang Kai-shek cursed Gao Zongwu, and asked Zhang Qun relay the document to Whang Jingwei. Whang Jingwei came to see Chiang Kai-shek the second day, and Chiang stated that Japan had no limit as to its appetite.

On Nov 3rd 1938, Japan, after control of Canton & Wuhan, made a second declaration, challenging China with a change of regime. However, Whang Jingwei saw an opportunity for himself. Whang Jingwei dispatched Mei Siping to HK for Gao Zongwu assistance in contacting Japan. On Nov 19th-20th, Gao & Mei met with Japanese commanders at Chongguangtang Villa in Shanghai, with an agreement that Whang Jingwei echo Japan's coming 3rd declaration and that Japan had the right to station troops in Mongolia and New Dominion Province.

Leaving Chongqing on 18th, Whang Jingwei flew (?) to Hanoi from Kunming on Dec 19th. Zhang Qun relayed Whang Jingwei's telegraph on Dec 21st. Xu Zhen claimed that Whang Jingwei tried to instigate Long Yun & Zhang Fakui against Chiang Kai-shek and took the train to Vietnam, but Li Ao stated that Chiang Kai-shek deliberately let go Whang Jingwei by rejecting a call to have Whang Jingwei assassinated in Kunming. Li Ao further stated that Chiang Kai-shek and Whang Jingwei might have worked together on "peace" deal but Chiang Kai-shek had pushed out his longtime adversary as a scapegoat right away. Li Ao's basis was Chiang Kai-shek's letting go Whang Jingwei even after Long Yun of Yunnan Province alerted Chiang Kai-shek on the previous night. On Dec 21st 1938, Japanese prime minister issued public statement as to a "Revived China" with a new regime. After exchanging messages with Chiang Kai-shek for days, Whang Jingwei made a public request on Dec 29th for accepting Japan's new "three principles". Whang Jingwei was kicked out of KMT on Jan 1st 1939. Historian Tang Degang stated that Whang Jingwei, for his talents, had been pardoned by KMT and colleagues 9 times before; however, collaboration with Japanese was his 10th blunder that nobody would be willing to forgive.

On Jan 21st, KMT 5th Plenary of 5th Congress was held in Chongqing. In mid-Feb, Gao Zongwu flew to Japan for preparatory arrangement of a visit by Whang Jingwei. On Feb 23rd, 1939, Chiang Kai-shek made note of the argument by Japanese field army minister, i.e., Japan's war against China might last longer than expected but advised against possible Japanese trick in relaunching an offensive. In 1939, Nationalist armies were dispatched to Zengcheng of southern China to fight against Japanese. Also in 1939, Japanese bombed Chiang Kai-shek's hometown, i.e., Xikou, and killed Chiang Kai-shek's first wife Mao Fumei (i.e., Jiang Jingguo's birthmother).

On March 21st 1939, Chiang Kai-shek secretly dispatched five agents (headed by Wang Luqiao) to Vietnam for assassinating Whang Jingwei while emissary Gu Zhengnai was in Hanoi with passports for Whang Jingwei to go to Europe and America. This aborted assassination attempt, however, would compel Whang Jingwei into alliance with Japan in lieu of his original plan for a "sick leave" in France. Li Ao claimed that Whang Jingwei decided to defect to Japanese in June as a result of Dai Li agents killing his secretary Zeng Zhongming during the assassination attempt. Japanese promptly dispatched a ship for fetching Whang Jingwei entourage to Shanghai. Wang left Haiphong on April 25th, and arrived in Shanghai on May 6th. on May 31st, Whang Jingwei, Mei Siping & Gao Zongwu arrived in Tokyo for talks with new Japanese prime minister. Soon, the puppet government pressured into closure on a Shanghai magazine entitled "*Shanghai Women*" which was started in 1938 by 12 renowned Shanghaiians, including Dong Zhujun of Jinjiang [King Kong] Hotel.



In US, on March 29th, Dr Hu Shi went to US State Department and successfully persuaded one senator into revising his draft version of "neutrality revision act" into application to countries which officially declared war against each other. Along Chinese coast, Japanese intercepted British & French ships but let go American-registered ships as a show of goodwill for retaining the US support for "neutrality act". However, US warships returned to Pacific and joined British & French in landing near Amoy of Fujian Prov.

On Dec 30th, in Shanghai, Whang Jingwei stamped a secret agreement with Japan. Gao Zongwu, seeing that Southwest China [like Long Yun] and Cantonese Gang [like Zhang Fakui] failed to follow the lead of Whang Jingwei, had disillusionment over the treachery. While at Nagasaki, Huang Shuochu, a friend of his father's, told Gao Zongwu that he had better rescue himself before rescuing China. Huang & Gao conspired to steal the secret document by going back to Shanghai, and obtained the help of Du Yuesheng's secret society in relaying a message to spy chief Dai Li. On Jan 4th 1940, Gao Zongwu & Tao Xisheng secretly rode on a ship for HK. On Jan 21st, HK newspapers fully carried the secret document. Zhou Fohai, feeling betrayed by Gao Zongwu, burst into cries. Gao, with Chiang Kai-shek's funding, left HK on March 25th for re-settlement in Europe and USA. Tao stayed on in HK till Pacific War, was taken in by Chiang

Kai-shek as an attaché in spring of 1942, and would author Chiang Kai-shek's famous book "*China's Fate & Fortune*" from Oct 10th to late Dec 1942. ("*China's Fate & Fortune*" was published in March 1943 at a price of 5 "legalized currency" while the cost of printing was 20 yuan. Distributed by 1,300,000 copies, it proclaimed the end of China's humiliations in the hands of imperialist countries after 100 years. However, it could have also aroused Anglo-American fear of China in a future post-colonial world.)

Wang Jingwei's puppet government would officially start in Nanking in March 1940. The puppet government, per XZC, promulgated a slogan of "politically independent of Japan, militarily allied with Japan, culturally exchanging with Japan, and economically promoting mutual interests". When Xu Zhucheng passed through Canton around the turn of 1941-1942, he observed that newspapers and magazines under Japanese control concentrated mainly on pregnancy prevention, treating sexually transmitted disease, Japanese imperial army, China's learning from Japan ...

Li Zongren memoirs pointed out that Wang Jingwei had refrained from writing to his faithful followers, i.e., General Zhang Fakui [4th military zone] and General Huang Xiangqi [11th group army of 5th military zone], throughout the war, which showed that a traitor still retained some conscience. Wang Jingwei, before his flight to Yunnan Prov, had asked Li Zongren in Oct 1938 as to his opinion on continuing resistance.

Japanese Exploitation Of Foreign Exchange System

Japanese, together with Zhangjiakou's puppet Mongolian Bank, Peking's Hebei Province puppet government and Shanghai's Huaxing Commercial Bank, tried to assert "Japanese military currency" and Wang Jingwei's "puppet reserve bank currency" over Nationalist Government's "legalized currency". (Prior to puppet reserve bank, Japanese-controlled puppet currency etc totaled no less than 0.666 billion equivalent Chinese currency; Japanese military currency, with no numbering, in 1940 alone, totaled 1 billion printed amount; and total Japanese military currency was equivalent to 3.5 billion equivalent Chinese "legalized currency" by 1940.) Foreign exchange, which was maintained by Nationalist Government in cooperation with Britain and America, had been fluctuating in synchronization with the war developments. China's "legalized currency" was impacted by the 1937 war outbreak in Shanghai when there was a flight of capital to HK and elsewhere. US bought 312,000,000 taels of silver from China in 1937-1938 for lending support to exchange rate with "legalized currency". (China had stored in both US and Europe considerable amount of silver prior to war.)

In March 1939, "legalized currency" already devalued 46%. European war outbreak would see some of the 'flight' money back to Shanghai's extraterritory. In June 1940, France stopped China from using Vietnamese-Chinese highway and railway; in July, Britain forbade China from using HK and Burma as



transport routes. Ma Yinchu attacked Kong Xiangxi for 1) bond market manipulation, 2) foreign exchange manipulation.

On April 1st, America agreed to provide a loan of 50 million US dollars for balancing foreign exchange rate with Chinese currency. On April 25th 1941, Song Ziwen and US finance minister made a joint announcement that US would supply a loan of 50,000,000 US dollars while Britain would supply 5 million pounds for standardizing the exchange rate of China's "legalized currency". British provided funds were restricted to deployment on Shanghai Bund, which basically fell into the hands of Japan-controlled companies. Both American and British loans and usage in foreign exchange market were subject to cancellation with short notice as well as British/American government approvals. (Seagrave pointed out half of 50M, from US Treasury, was for currency stabilization, while another 25M, from Export-Import Bank was for Chinese purchase of US goods.

After the eruption of Pacific War, Japanese intruded into Shanghai's extraterritory, opened a new reserve bank, printed "puppet money", exchanged into "legalized currency" with "puppet money", and then exchanged into international currency with "legalized currency". Japanese then reversed the prior policy of maintaining "legalized currency" to deliberately devalue "legalized currency" for sake of grabbing more purchasing power of Chinese commodities with Japanese "military currency" [i.e., "jun piao"]. In March 1941, Japanese and Chinese collaborators launched counter-assassinations against Chinese bank employees in French Concession and International Settlement of Shanghai. After one month bloody killings, a truce was brokered by Du Yuesheng, yielding to Japanese puppet money circulation together with Chinese "legalized currency". **Today, Japanese government still refused to buy back its notorious "military currency" from senior HK residents.** (See the writing on "Japanese Invasion Money" at <http://www.perthmoney.com/docs/info.cfm>.)

On March 21st 1942, Song Ziwen successfully obtained an American loan of 0.5 billion. Kong Xiangxi immediately made arrangement for printing two batches of 0.1 billion Chinese government bonds, including 0.1 billion US\$-denominated debts. From 1938 to 1942, Kong Xiangxi issued bonds valued at 15.192 billion "legalized currency". Communist records claimed that in Oct 1943, Kong Xiangxi and his crony were personally involved in controlling the remnants of one batch of the 0.1 billion US\$ denominated Chinese bonds. When China's "legalized currency" devalued against US\$, Kong Xiangxi secretly stopped the issuance of about 50 million US\$ equivalent of the original 0.1 billion US\$-denominated debts. Kong Xiangxi's crony Lu Xian took charge of swallowing the debts on behalf of Kong Xiangxi and the staff of the state vault bureau of the Central Bank. Total profit could reach 2.647 billion "legalized currency". - The black market exchange rate was like US\$1 = Chinese "legalized currency" 250 yuan, but official exchange rate was pegged at 1 against 20.