

PLAIN & GRAY

Shanghai via N. R.

Dated March 15, 1940

Rec'd 9:37 p. m.

Notice of receipt of this report sent 33-217-221-213

HSM
MAR 26 1940
For. and Dom. Com.

BUREAU OF FOREIGN AND DOMESTIC COMMERCE
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MAR 21 1940
FAR EASTERN SECTION

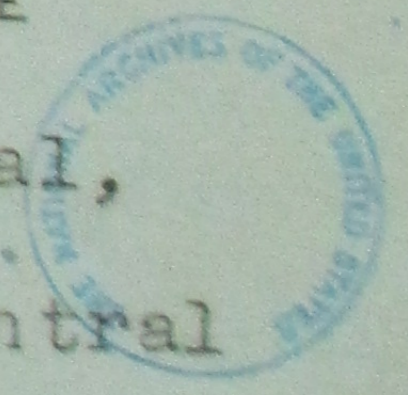
Secretary of State,
Washington.

211, March 15, 5 p. m.

Reference Department's 101, March 9, 1 p. m.

Commercial Attache states that item to which Department refers was taken from Havas and Reuter's news dispatches from Tokyo and Osaka as published in Shanghai last few days of February and which impressed him as worthy of credence in view of developments otherwise and in light of no subsequent denials. In amplification of the news item to which reference was made in our 179, March 2, 2 p. m., the following statement of conditions as they exist at present may be taken as indicative of future trends. The present status of monopoly Central China products appears to involve: (A) More or less exclusive rights for purchase and disposition mineral ores, coal, and silk cocoons as now vested in subsidiaries of Central China Development Company, and leaf tobacco vested in Japan Tobacco Company; (B) More or less exclusive rights to make shipments of raw cotton and wool from producing areas to

Shanghai



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32-31-220-215-211-222

Shanghai now vested with Japanese firms or nominal Sino-Japanese concerns; (C) More or less exclusive rights for shipments and disposition of skins and hides, vegetable, and bristles now vested in several privileged Japanese private as well as army sponsored concerns including member firms of Central China Federation of Exporters Association.

Shipments to Shanghai of Chinese raw cotton, certain Chinese dealers forced to participate. Egg consignments of foreign exporters from interior must also go through Japanese transportation concerns at present. No shipments made to Shanghai from Japanese-controlled areas by individuals foreign or Chinese firms or silk cocoons, coal, mineral ores, skins and hides, tung oil bristles as Japanese concerns are apparently vested with monopoly privileges for shipments and exports of these commodities.

According to these news items the Japanese status of Lower Yangtze will be left to international navigation, hence interests apparently apprehensive concerning maintenance of their monopoly they are now seeking to strengthen position of Central China Development Company and enlarge the scope of its exclusive or preferred rights, including rearrangement of financing facilities and probably setting up other preferred subsidiary companies such for instance as the proposed Sino-Japanese Hemp Corporation.

Apparently

hsm -3- No. 211, March 15, 5 p. m., from Shanghai

Apparently Japanese consular assistance induces new Puppet Government to confirm legal status of Central China Development Company on pretense of being Sino-Japanese concern thereby implying that monopoly meets favor with Chinese. Note: Official statement of Asia Monopoly Board Tokyo indicating that railways in Central China are properties of sponsored Chinese regime while Central China Railways Company present time enjoys charter for the exclusive management of lines. This fiction of Chinese sovereign control under puppet regimes and voluntarily granted Japanese concession rights constitutes basis Japanese monopolistic developments in controlled territories and basis of plans for invading adjoining fields of possible economic exploitation.

Although information not permitted for probable date establishment of further monopolies and preferences or extension those already in existence, but apparently with setting up of Nanking puppet government plans for reopening Lower Yangtze envisage extensive program of Sino-Japanese trade, transportation, public utilities and industrial controls.

GAUSS

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