

really amount to very little more than a reshuffle of the old political cards. Meanwhile, an important step has been taken by the Iraqi Government towards improving the supply question by its decision to appoint a British Director-General of Supplies. This official will be charged, on behalf of the Ministry of Finance, with co-ordinating all procedure connected with imports and exports, including control of Government requisitions of imported goods, bulk-purchases from abroad, and internal distribution and prices (other than retail).

His Majesty's Minister at Tehran and Dr. Millspaugh are seriously concerned at the present financial position in Persia. The estimated deficit that faces Dr. Millspaugh for the current year is not less than 1,500 million rials, and he has again recommended that a substantial loan should be made available to Persia either by the United States Government alone or by the United States Government and His Majesty's Government jointly.

Dr. Millspaugh's Income Tax Bill, to which reference was made in last week's *Summary*, continues to be bitterly attacked by those newspapers dependent on vested interests. It is, on the other hand, strongly supported by the Left-Wing press. The position of the Government seems generally to have weakened. No doubt with an eye to the forthcoming elections, the Tudeh (extreme Left) Party are trying to win over the intellectuals, and proclaim that an alliance between the intellectuals and the workers is the only means of overthrowing the present régime and saving Persia from disaster.

ERRATUM.

Summary No. 192, the 9th June, 1943, page 15, "Middle East," line 10, for "Egyptian Trade delegation" read "Egyptian Treaty delegation."

THE FAR EAST.

The statement by General Giraud that French forces will accompany the armies of the United Nations to Berlin, Rome and Tokyo seems to imply that the French Committee of National Liberation considers itself in a state of war with Japan. Such an attitude does not follow automatically from the action of the anti-Axis French leaders as regards the European war, as there have not previously been any hostilities between Japan and France, and the entry of Japanese armed forces into Indo-China was carried out nominally on a basis of peaceful diplomatic agreement. Moreover, the neutrality of the U.S.S.R. in the Far East would have provided a precedent for making a distinction between the two wars if the French National Liberation régime had been disposed to pursue such a policy. If it is now to be aligned with Britain and the United States as a belligerent in the Far East, this would mean that it intends to treat Indo-China as part of the French territory to be liberated and to repudiate the acts of the Decoux Administration there no less than those of the Pétain-Laval Government in Metropolitan France.

The position of the French Administration in Indo-China is, in any case, becoming increasingly difficult. It is the only body of Western administrative officials now left in the sphere of Japanese control in Asia, and, as Japan exerts herself more and more to blot out all traces of Western rule or influence in the neighbouring British, Dutch and American territories, the isolation of Indo-China becomes increasingly marked. So far Japan has abstained from attempting to establish direct control over Indo-China, partly because she suffers from a shortage of officials competent to take over the administration of all the territories she has conquered and has therefore found the services of the French administrators very convenient, partly because she has wished to maintain as far as possible amicable relations with Vichy France and to point a contrast between the treatment accorded to a nation voluntarily co-operating with Japan and the fate of those countries which have chosen to resist. But recent events have reduced the Vichy Government to a condition in which it can hardly seem worth conciliating, while at the same time they must have given the Japanese the impression that French leaders, however submissive in outward appearance, are likely to go over to the other side whenever Anglo-American forces appear in sufficient strength. Reports from Indo-China indicate that there is strong anti-Japanese feeling among the French there and that their real sentiments are not unknown to the Japanese. It may be assumed, therefore, that Japan will take steps to eliminate the French from authority in Indo-China whenever there is a serious threat of Anglo-American penetration into the South China Sea. It

is improbable that the local French forces could offer any effective resistance, as the Japanese deliberately keep them short of munitions; moreover, the loyalty of the Annamite troops would be a matter for doubt. The Japanese have long been working to undermine French authority over the Annamites by their pan-Asian propaganda, and the French officials have been restrained by Japanese pressure from interfering with Annamite nationalist agitation. Thus the ground is gradually being prepared for the creation of an "independent" Annam, on the Burmese model, whenever it is considered in Tokyo to be desirable.

The question of French diplomatic representation in China remains somewhat complicated. The Ambassador, Cosmé, continues to own allegiance to Vichy and resides in Shanghai, *i.e.*, in the territory of the Japanese-controlled Nanking Government; the French Concessions in China have also been handed over to this Government, but Vichy has not so far followed the example of the Axis Powers in giving it formal *de jure* recognition. France continues to be represented in Chungking by the Embassy Counsellor, M. Paul Boncour, whose real sympathies are not clear. The Chinese, on their side, have so far refrained from a complete rupture of diplomatic relations with Vichy France.

On the Yangtse front in China military activity now seems to have died down, with the Japanese back in the positions which they occupied before their May offensive. Celebrations of the Chinese success have been held to coincide with the dragon boat festival, and there is no doubt that the appearance of a considerable victory has been of great value for supporting Chinese morale in a very trying and difficult period. The effect abroad has also been pleasing to Chungking, but it has given rise to some alarm lest it should lead to neglect of China's appeals for aid. The *Ta Kung Pao* declared on the 3rd June that China's allies "must not think that the Hupeh victory shows that China has got the power to resist Japan without getting any supplies," and the Chungking military spokesman told press correspondents on the 9th that China would need more aircraft, tanks and artillery before she could hope to recapture Ichang or any other major city from the Japanese.

Meanwhile, there are some signs of undesirable political developments in China. It is known that talks which had been going on for several months with a view to a settlement of the main points at issue between the Kuomintang and the Communists have ended in a deadlock. It is now alleged by *Domei* that the Communists have been moving troops to their front lines facing the Central Government armies in defiance of orders from Generals Ho Yin-chin and Pai Chung-hsi of the Chungking General Staff, and that conferences of Chungking military leaders for action against the Communists have been held in Loyang, Sian and Lanchow. Such news obviously corresponds to Japanese hopes and should be treated with all due reserve, but recent information from North China leaves no doubt as to the underlying tension. A European traveller arriving in Sian several months ago, after passing through the Communist area, found himself regarded with extreme suspicion, and was told by the authorities that the Communists were enemies just as much as the Japanese.

The Japanese also claim fresh defection to Nanking in the person of General Yung Tzu-heng, who arrived in Peking, according to a Tokyo broadcast, on the 10th June and called on General Okamura, Commander of the Japanese Army in North China. Yung Tzu-heng is stated to be the son of Yung Chin, who was formerly Chief of Staff to Chang Hsueh-liang in Manchuria, and who has been living in retirement in Peking for the last few years. Yung Chin and Chang Hsueh-ming, a younger brother of Chang Hsueh-liang, have now been appointed members of the "National Defence Council" in Nanking, and at the same time Yung Tzu-heng, who is stated to have been commanding two divisions of north-eastern, *i.e.*, ex-Manchurian, troops in Southern Shantung, has come over to Nanking. Japanese comment suggests a bid to win over the remnants of the old Chang faction, who were driven out of Manchuria by the Japanese in 1931-33 and have since then been strongly anti-Japanese, but have become disgruntled over Chungking's refusal to release Chang Hsueh-liang from his captivity and restore him to command of the north-eastern forces. The present Nanking intrigue with the Chang faction should perhaps be related to the Nanking Government's cultivation of increasingly close relations with Manchukuo. It was announced by *Domei* on the 10th June that the Nanking Government had decided to confer on the Emperor of Manchuria its highest State decoration, which would be presented by Chen Chi-cheng, the Nanking Ambassador in Hsinking. It is possible that some jobs are to be found in Manchukuo for former adherents of the Chang "dynasty."

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