

achievements and shortcomings with equal impartiality. He emphasized above all, the necessity to proceed with determination towards the establishment of a democratic form of Government and the removal of all obstacles to national reconstruction; he declared that the next nine months would decide whether it was to be life or death to the Party; and he pleaded with members to crown the national revolution with success through unity.

Observers are reported to read into his speech another mild swinging of the big stick to reassert discipline in the ranks of the Party following the recent outbursts of unbridled attacks on Dr. T. V. Soong and his followers, as well as on the Political Science Group led by the Szechuen Governor, General Chang Chun, and accusations against General Cheng Yi for having been the cause of the Formosa revolt (see *Summary* No. 385).

It was thought that the formation of a Coalition Government would be announced at the end of the Central Executive Committee session, bringing with it a redistribution of portfolios. General expectation is that when these moves are made, General Chang Chun, despite his unpopularity with left wing and certain third party delegates, will be appointed President of the Executive Yuan to fill the vacancy created by the recent resignation of Dr. T. V. Soong, and now temporarily held by the Generalissimo. So far, however, no official announcement has been made and recent press reports carry the somewhat disturbing news that both the Young China and the Social Democratic Parties have created an awkward situation by suddenly threatening to withdraw their support unless the Government afford an assurance of their willingness to settle the Communist question by peaceful means immediately the Communists indicate their willingness to resume negotiations. In a joint letter presented to General Chiang Kai-shek they have also demanded that the Government follow a foreign policy equally friendly to all countries.

There have been persistent rumours—believed to have their source in semi-official circles in Nanking—that as soon as the reorganisation of the Government has been effected General Chiang Kai-shek intends to go abroad, probably visiting Great Britain and the United States of America. Colour has been added to these rumours by the report that General Chiang personally sponsored the C.E.C. resolution for the creation of the new post of Vice-President—to be filled by the Shansi war lord, Yen Hsi-shan. In

Shanghai, the immediate reaction to the rumour of the Generalissimo's impending departure was to cause something of a panic in commercial and financial circles, which sent the price of all shares, as well as of Government bonds, toppling on the local stock exchange. This appears to have been short-lived, however, and a more recent test of public confidence in the Government is claimed from Nanking to have produced a positive reaction in the favourable reception of the two new State loans that have been floated in an endeavour to tide over the national financial crisis. Nevertheless, considerable care has been exercised to make these two loans attractive and the steps taken are perhaps worthy of note. In the first loan, which is run for a period of ten years and bear interest at 6 per cent., the bonds are to be purchased with gold or foreign currency, thus providing an outlet for local holdings recently rendered stagnant by Government "freezing" regulations. The other loan, which is for three years and the bonds of which are to be paid for and redeemed in Chinese currency at the prevailing official rates of exchange for the U.S. dollar, bears interest at no less than 20 per cent.

On the 25th March a State Department spokesman of the United States Government said that his Government had recently sent Notes to China and the Soviet Union, urging declarations by the two Governments of their intentions to implement the provisions of the agreements regarding Dairen, Manchuria, and the Changchun Railway. The Notes also expressed the hope that the necessary arrangements for the implementation of such declarations would be made in the near future. It is known that a few weeks ago the Soviet Ambassador in Nanking called on the Minister for Foreign Affairs to enquire whether or not the Chinese Government were prepared to assume charge of Dairen and to participate in the joint operation of the Changchun Railway as provided in the Sino-Soviet Treaty signed on the 14th August, 1945. The Minister for Foreign Affairs promised to give a definite reply to this enquiry "as soon as possible," but pointed out to the Soviet Ambassador that the Communist occupation of almost the whole of northern Manchuria made the working of the railway impossible and that the whole situation might have presented a very different picture today, had not the Chinese Government's earlier attempts to take action in regard to Dairen been obstructed.

This latter contention was reiterated by the Nanking Government spokesman at a press conference on the 26th March, when the problem seemed no nearer solution.

The latest information from Sinkiang is reported to be causing the Government some concern. There had been hopes that it might prove possible at least to delay Soviet infiltration to Sinkiang by granting the rebels a fairly wide measure of autonomy. It is understood, however, that the Chinese Government are now being pressed to extend these concessions considerably further and that the Chinese Ambassador in Moscow feels that it cannot be long before the Soviet Government become more actively interested in this Province.

In the field the star of the Government is said to be in the ascendant. In Shantung the position of the besieged city of Tsinan is claimed to have been considerably improved; while the Communists are reported to have lost much prestige in the fall of Yen-an. The Communist Party leaders are said to be wandering from place to place in the mountains of northern Shansi in search of a new capital, hotly chivied by Government forces. Reports from Communist sources, on the other hand, indicate that they have established a temporary headquarters at Harbin.

In South China the disturbances in Formosa are reported to have been stamped out—apparently with considerable brutality. Many of the rioters have fled to the hills and the local Government authorities have called on them to give themselves up forthwith, or take the consequences.

Japan

Japanese press representatives were advised by a spokesman at S.C.A.P. Headquarters that the general election to be held in April gave the people an opportunity to guard themselves against two extremes. One danger lay in the existence of Fascist organizations which had declared war to the death on some of the established political parties. The other danger, which was specially stressed, lay in the avowed aim of extreme left-wing groups to utilise mass discontent over economic miseries to overthrow the "legitimate government." At the moment the civil rights of the people were being guarded by the occupation authorities and the United States would continue to fight "anti-democratic, purely political, ruthlessly aggressive Communism

just as it had fought Nazism, Fascism and Tojo's Japanism." But, it was to be assumed, the Japanese people must learn to carry on the good fight themselves.

One of the political parties at least seems to have seen the writing on the wall. The Progressive Party announced its own demise for the 31st March. The revolt of the members who were trying to justify the party's name thus seems to have succeeded. Ashida, the leader of the malcontents, described the attitude of the conservative bloc in the party as dog-in-the-manger. At the meeting of the standing committee which decided upon dissolution of the party, Takao Saito, Minister without Portfolio in the present Cabinet, was elected chairman of the preparatory committee appointed to form a new party.

The Government are anxious to revise the election law and have introduced a bill to replace the present plural-ballot system based on large electoral areas by a single-ballot system based on small areas. The opposition regard the measure as a sinister move to swing the election in favour of the Government and are trying to talk the bill out. Internal party dissensions have not prevented the Liberals and Progressives from presenting a united front in an attempt to railroad the bill through the Diet, and in committee the opposition were reduced to using their fists on two members of the Liberal Party.

The feared March financial crisis did not come to a head, but General MacArthur has felt it necessary to send the Japanese Prime Minister a letter urging him to take "early and vigorous steps" to curb inflation and warning him that outside assistance as regards food, &c., was contingent upon the Japanese Government's ability to assume efficient collection and distribution of food and to introduce the economic and financial controls which the situation demanded. The disease, in fact, is chronic but is growing more acute. The Finance Minister expects great relief from the special war-profits taxes now to be collected. On the other hand the Government refused to accept the Opposition's demand that payment of principal and interest on war bonds should be repudiated though they promised to give the matter further consideration. The food situation has been slightly relieved by the authorised release of 87,500 tons of imported wheat, wheat products and beans but the "Oriental Economist" calculates that supplies of rice will be exhausted by the end