

CONFIDENTIAL

The Inland Sea, Japan,
March Second, 1930.

My Dear Sir Arthur:

If the two months which I have spent visiting the Associations in various parts of China have taught me anything, it is the danger of easy generalization, and the necessity of being ready to constantly revise one's views on this vast country of over four hundred million people.

The task of coming to any judgment is difficult because of disturbed political conditions, and even more because of the conflicting forces one feels at work in the minds of the Chinese themselves - optimism struggling against pessimism, faith against disillusion, self-sacrifice against the most cynical sort of materialism.

To take the political situation first: Once again Chiang Kai-shek and his Government face a crisis. On March 1st the national gathering of the Kuomintang convenes. General Chiang, I hear on good authority, is going to risk everything on one throw, in a desperate effort to bring his party into line. If he does so, you will know his Government's fate long before this reaches you. There is no doubt that Chiang Kai-shek has his enemies within as well as without the Party. Not only are the Communists still a menace. He also faces disaffection on the part of members of both the Centre and Right Wings of the Kuomintang.

As this is written Yen looms as a menace in the North. He and Feng are still undoubtedly dangerous. Last year's campaign resulted in the scattering rather than the defeat of Feng's forces. Ironically, much of the Government monies paid out to Yen have found their way into Feng's coffers and have helped to build up the northern armies into a strong fighting machine. Should this northern outbreak develop, it is very probable that the Kwangsi group (whose forces are also practically intact) will create new 'unpleasantness' in the south-west. Chang Hsueh-liang, in Manchuria, is evidently quite willing to await the outcome and to recognize whichever group gains the ascendancy in Nanking.

I have yet to meet a Chinese who sees clearly the path which is going to lead his country out of her present chaos. Many of those with whom I have talked frankly see no way out. Business is practically at a standstill. No man dares risk new capital in commercial enterprises under present unstable conditions. Many concerns have had to close their doors. And then there is this terrific slump in silver, which would seem enough to at last break the camel's back. Yet in spite of it all the country is moving irresistibly forward.