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ADB-39
Southwest China -
Yunnan Situation

Kunming, Yunnan
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Mr. Walter S. Rogers
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Dear Mr. Rogers:

On October 15, Premier Yen Hsi-shan at a press conference in Chungking stated that the Central Government is "studying the possibility" of making Kunming its future "wartime capital". Now that Canton has fallen the Nationalists' headquarters are divided between Chungking and Taiwan. Chungking is the official seat of "Acting President" Li Tsung-jen's regime, but the greatest concentration of military and financial power still in non-Communist hands is in Taiwan under "Retired President" Chiang K'ai-shek's direct control. Taiwan, however, appears to be Chiang's personal last-stand stronghold; it is cut off from the shrinking Nationalist areas in the Southwest provinces of Szechwan, Sikang, Kweiyang, Kwangsi, Kwangtung and Yunnan, and at present there is no indication that Chiang is willing to commit his hoarded Taiwan resources to the losing battle on the mainland. Southwest China, therefore, is on its own in a military and economic sense, and Chungking, which is the largest city and the center of the richest area in the Southwest, is the most logical place for the Nationalists to have their headquarters at the present time. If the Nationalists move their capital again, from Chungking to Kunming, it probably will not be before they are forced to do so. The Nationalists' military strength in Szechwan is not impressive, however, and there is a strong possibility that once the Communists are ready to do so they can carry out a pincers movement from North and East which could make the Nationalists' position in Szechwan untenable, despite the natural geographic barriers protecting the province. If that takes place, the Nationalists may, as General Yen suggests, move to Kunming. If this happens they will have "gone about as far as they can go" on the mainland. What would their chances be for fighting back, or even holding out, in Yunnan? A partial answer to this question must be sought, of course, in the overall national situation and the international factors affecting China. The local situation in Yunnan also has a bearing on the question, however, and it is the local background - particularly recent and current developments- which I will describe in this report.

Yunnan is a high, mountainous plateau with an area estimated to be 400,000 square kilometers, one-tenth of which is cultivable, and a population of about 12 millions. It is defined by international boundaries fronting Burma and Indo-China, and provincial borders touch Kweichow, Sikang, Szechwan and Kwangsi. Like many peripheral Chinese provinces which form geographical as well as political entities, it has long had a varying and somewhat tenuous relationship to the Chinese body politic. Prior to its consolidation into China Proper by the Mongol Dynasty in the 13th

Century, Yunnan was the seat of two important independent kingdoms: the Nanchao with its capital in Tali, and the Nansi with its capital in Likiang. Since the 13th Century Yunnan has had a continuing tradition of autonomy under the direction of China's central authorities.

Roughly one-half (estimates are rather vague) of Yunnan's population is made up of tribesmen. These include the Miao, Yao, Lolo, Shan (T'ai), Tibetan, Hsifan, Min-chia, Wa-Palaung, Burmese and Kachin groups, to name some of the major ones. Since most of these people are hill-dwellers, the greater part of the territory of the province is inhabited by non-Chinese (non-Han) tribesmen, many of whom have not been assimilated at all into Chinese culture. The relationship between the Han Chinese and the tribesmen is not subject to easy description or generalization, but there are some areas within the province which have a large degree of local autonomy under local leaders. Some of the South, for example, is divided into self-administering "Shan states".

The most important agricultural areas of the province are inhabited by Chinese, most of whom are the descendants of colonists, garrison troops, and exiles who entered the province during the rule of the Chinese Empire. The areas which they, together with some Sinified tribespeople, inhabit and control are the best developed areas of Yunnan. These areas are principally agricultural valleys scattered throughout the province and tied together by imperfect lines of communication.

Yunnan's geographical remoteness and isolation, and the long-standing localism on the part of the Chinese as well as the tribesmen, were factors which led to the development of autonomous warlordism in the province when the Manchukuo Dynasty disintegrated in 1911. A leader named T'ang Ch'i-yao took over the provincial government at that time and ruled with very little outside interference even though he, like other local warlords, recognized the theoretical overlordship of the Central Government. He died in the late 1920's, and after a brief struggle for power he was succeeded by General Lung Yun, who maintained his power until 1945.

Lung Yun is a Sinified Lolo from the Chaot'ung district of Northern Yunnan. A military man, he carried out military rule in the classic warlord manner, maintaining his own armed forces, issuing his own currency and running the province as he wanted, with little reference to either the Central Government or to the people under his rule in Yunnan. When the Sino-Japanese War broke out in 1937, however, Lung formed a close alliance with the Central Government to resist Japanese invasion. The Yunnanese Chinese were to a considerable extent aroused from their political lethargy concerning national affairs and supported the fight against foreign invasion. Yunnan became an important base for the war effort, both Chinese and Allied, and an important link with the outside world, being the China junction of the Hump airlift and the Burma and Stillwell roads. But Lung Yun continued to maintain his grip on the local political situation. At the end of the war, however, Chiang K'ai-shek saw a chance to break the local power of Lung in Yunnan and to consolidate the province more fully into a unified post-war China. This he accomplished by a coup in late 1945.

Lung's principal protege and military subordinate for many years prior to 1945 had been General Lu Han. Lu is also a Lolo from Chaot'ung, and is a relative of Lung's. (Descriptions of the relationship are so varied that one can only conclude that the exact relationship is obscure.) Once in the early 1930's Lu had helped organize an abortive minor revolt against Lung, but his loyalty thereafter to his patron had been seemingly exemplary, and during the war he led the major Yunnanese forces against the Japanese and participated in engagements such as the famous battle of T'ai erhchuang. When Japan was defeated, Chiang sent Lu and his Yunnanese troops to occupy Indo-China, and Lung was left without strong military forces in Kunming. In a quick coup Chiang's own troops then surrounded and disarmed Lung's retainers, and Lung himself was packed off to Nanking where he could be kept under surveillance. Lu Han was appointed to be his successor as Governor of Yunnan, but the Yunnanese armies under him were later sent to Manchuria. This complicated maneuver destroyed Lung Yun's power and put in his place a man who was Yunnanese, and therefore more acceptable to the province than an outsider, but who owed his job to Chiang and who furthermore was deprived of his military power. It prevented the resurgence of warlordism and political autonomy - for a while.

Lu Han, who still remains Governor of Yunnan, played along with the Central Government until the beginning of this year. Although a Yunnanese, however, he was not popular in the province. The Yunnanese resented Chiang's bold interference in their affairs, and in the minds of many people Lu Han was a Central Government stooge. As a governor he was probably no worse, and probably not much better, than Lung Yun, but the national as well as the provincial authorities demanded much from the Yunnanese people, particularly in the form of taxes (in addition to taxes the Central Government "borrowed" 7½ million piculs of rice, worth about Yunnan Silver \$100 million, between 1943 and 1948, and have never repaid it) and conscriptees, while contributing very little to their welfare. Many policies, particularly toward educational institutions, were repressive. Lu's personal popularity probably reached its nadir (since which time it has improved somewhat) on February 12th of this year. On that date a riot took place at the Kunming branch of the Central Bank of China, due to the bank's failure to redeem some counterfeit banknotes found to be in circulation in Yunnan, and Lu Han, in a fit of anger, personally supervised the execution of 21 participants, without any legal proceedings.

When the Central Government's power and authority began to disintegrate under the impact of Communist military advances early this year, however, the forces of localism began to reappear in Yunnan. Lu Han started to reevaluate his position, and gradually a trend toward Yunnanese autonomy took place. Step by step, in a slow and often subtle way, Yunnan severed its ties with the Central Government. By the end of August this year, it looked to many people as if Lu Han was flirting with the idea of complete autonomy. Then, in the first week of September, Chiang K'ai-shek again moved into the picture and in a heavy-handed way brought the situation to a climax. Instead of the "coup" and "declaration of independence" which were prematurely reported to the world from Hongkong, Lu Han was forced reluctantly to submit to reassertion of direct Central Government control.

The sequence of events during the eight months from January through August when Yunnan traveled the road toward autonomy gives a revealing picture of some of the disintegrating forces which have been at work in Nationalist China. What has taken place in Yunnan cannot be generalized without qualifications because trends have varied somewhat in different parts of the country, but a similar process - the break-up of the Central Government's power and control- has taken place in different forms in many other Nationalist areas during the same period. This fact helps explain why on a political level there has been no basis for a unified or effective war effort.

Well-informed observers in Kunming, who have talked with Governor Lu at periodic intervals during the past year, generally agree that he never considered Yunnanese independence on any sort of complete or permanent basis as a real possibility due to the intrinsic military and economic weakness of his position. What his policy seemed to be aiming toward was local autonomy to such a degree that he could sit on the fence, refrain from active participation in the Civil War, and ultimately negotiate some sort of settlement with the winner - which he believed would probably be the Communists. This policy seemed to be based fundamentally on an almost complete loss of confidence in the Nationalists' cause. Lu's policy, therefore, was to stay out of the struggle, assert local autonomy to the maximum degree possible without provoking an open clash with the authorities in the Central Government, and extend feelers to Communists and pro-Communists who might assist in the achievement of a negotiated local peace when the time was ripe.

The trend toward local autonomy began in January. In mid-January Lu, after returning from a quick trip to Nanking, abolished the Yunnan Garrison and took over control and command of the military forces in the province to a much greater degree than had been possible before. On January 20th he removed a man named Yang Wen-ch'ing from the key post of Commissioner of Civil Affairs and replaced him with An En-fu, a local Yunnanese general who was a relative, a subordinate, and an intimate of Lu's and who stood for local autonomy. At the same time he appointed a new Commissioner of Finance, Lin Nan-yuan. Lin, a young Yunnanese banker, was founder and head of the Overseas Banking Corp. and therefore closely allied to native banking circles; his appointment improved local control over the province's finances. At about the same time, Governor Lu began his efforts to keep Yunnanese conscriptees within the province, and the Provincial Council recommended that he take action to keep the receipts of all taxes levied in Yunnan, including those collected by Central Government bodies, within the province.

In February the Yunnan government "requested" the Kunming branch of the Central Bank to suspend all shipments of gold and silver which had been received during the GY conversion of currency in August, 1948. The manager of the bank complied. In early March Lu obtained the dismissal of the manager, charging him with responsibility for the February 12th incident, and arranged for the appointment of one of his own Yunnanese followers, Chao Kang-chieh. Chao, a nonentity, merely carried out Lu's wishes, and with his appointment Yunnan achieved greater financial

autonomy in the banking field than it had had since 1941 when the Kunming branch of the Central Bank was first established. On March 4th, furthermore, the provincial government legalized the circulation of "Pan K'ai", the local Yunnanese silver currency which had been used all the time in rural districts. On March 11th, Yunnan took an even more drastic step and abolished the land tax in kind, substituting a levy in silver currency in contravention of national laws. A decision was also made to keep the receipts of this tax in lieu of the national subsidy to the province which had been discontinued.

Political trends of a comparable sort were in progress. In March Lu Han became head of the provincial KMT organization, replacing Chang Pang, in spite of the fact that Lu is not a strong party man by any stretch of imagination. In the period March to May, furthermore, almost no military defense preparations were made to bolster obstacles to attack from the outside. When, in fact, it was revealed that the national 8th Army and some of Hu Tsung-nan's troops would be moved into Yunnan, there was a great outcry in the local press, and protests were made by the Provincial Council on the grounds that Yunnan was not in a position economically to support any more troops. The contemplated movement of these troops to reinforce the province was indefinitely postponed.

Throughout this period, and until September, free criticism of the Central Government and praise of the Communists was allowed to an extent unheard of previously. Leftist student agitation became widespread and intensive. Large crowds with student leaders performed Communist dances and sang Communist songs at public meetings in Kunming. A pro-Communist press flourished alongside the pro-Kuomintang press; one leftist paper was run by Finance Commissioner Lin and another by supporters of Lung Yun. Lung had escaped from Hanking to Hongkong, and after establishing contacts with Communist and pro-Communist groups there he began actively instigating anti-Kuomintang action in Yunnan. In Kunming a man named Yang Chieh, a former Chinese ambassador to Moscow who had connections with Lung and possibly other anti-government groups, worked to organize pro-Communist sentiment. A Communist leader with the pseudonym of K.T. Tseng also was active in organizing work in Kunming. The Provincial Council openly condemned the Central Government, and several of its members became vocally pro-Communist. All of this activity, which reached its peak in August, received if not the support at least the tacit approval of Lu Han.

In May a provincial Financial and Economic Reform Planning Commission was established, and Y.T. Miao, the leading local industrialist, was asked to draw up plans for a local currency (the plan was made but never implemented) and for financial autonomy. In June the provincial government took over the revenues of the Central Government's Customs, Salt Administration and National Tax Bureau in Yunnan. These steps cut virtually the last financial ties with the Central Government. At the same time independent steps were taken to reform and rationalize the tax structure in Yunnan. In the field of military matters, conscription was abolished and a system of voluntary enlistment instituted.

Because Central government subsidies on which Yunnan had previously depended were not forthcoming, the province had been encountering considerable financial difficulties. Expenditures exceeded receipts, and the deficits were met by loans from the New Fu Tien Bank (a subsidiary of the semi-governmental provincial Yunnan People's Development Corp. under Y.T. Miao and L.C. King), the loans finally totalling Yunnan Silver \$10 millions. In May, however, the budget was altered to provide for the use of tax receipts from the Central Government's tax agencies to meet the deficits, and this was actually implemented in June. Budgetary difficulties continued, however, because of the heavy costs of "bandit suppression" within the province. Military and civil expenditures made up 80 percent and 20 percent, respectively, of expenditures.

The Central Government could not do very much during this period to block the autonomist trends in Yunnan; it was absorbed with its own more immediate problems and was having difficulty functioning at all as a government. In July and August, however, the national authorities gradually increased pressure on Lu Han to cooperate with them. They demanded, among other things, that he clamp down on Communists and pro-Communists, institute censorship, curtail student agitation, limit Yunnanese financial independence, accept the national paper currency, resume conscription and the land tax in kind, and reorganize the provincial military forces. Lu Han resisted pressure on all of these points, and in doing so he seemed to have the support of local public opinion - or at least the support of that small group of people who were politically-conscious in any active, positive sense. Negotiations between the national authorities and Lu took place, however, and resulted in a few compromises on paper. Following a Central Government mission to Kunming in July, for example, Lu agreed in theory to the institution of censorship, the acceptance of national currency notes if they were backed up by silver bullion reserves kept in Kunming, the acceptance of more national troops in the province, and a reconsideration of the questions of conscription and the collection of land taxes in kind. In actual fact, however, none of these steps were taken. Censorship was announced in July but was never enforced.

During July and August the Central Government began to send fairly large numbers of its secret service men into Yunnan where they quietly took stock of the situation. At the same time pro-Communist activities and propaganda reached a crescendo. In August Lung Yun sent a letter to the Provincial Council urging an open pro-Communist declaration. (Lung undoubtedly wanted to get credit for a pro-Communist coup in Yunnan and thereby earn an invitation to the Communist PCC and government in Peking.) Eighteen Council members responded by making such a declaration. Tension between the national and provincial authorities increased. They finally reached a head at the end of August.

On August 29th General Yu Chi-shih, sent by the Central Government, arrived in Kunming and conferred with Lu Han for three days. Chiang K'ai-shek issued an "invitation" for Lu Han to come to Chungking for consultations, and Chang Ch'un urged Lu to agree. Lu at first refused but sent

his General Secretary, Chu Li-tung, to Chungking with General Yu. Then Chiang and the Central Government put the heat on. Without Chiang's pressure no "crisis" would have occurred, and Lu Han would have gone on sitting on the fence in all probability for as long a time as possible. When the pressure was on, however, a quiet political battle developed in Kunming between two groups of Lu's advisers. One group, including anti-Chiang men, Lung supporters, Yunnanese autonomists, supporters of the KMT Revolutionary Committee and pro-Communists, urged Lu Han not to go but to make an open break with the Central Government. The other group urged that it was necessary to go, and that it was impossible to hold out. From September 1st to 3rd Lu vacillated. Wild rumors spread through Kunming - that national troops were fighting the Peace Preservation Corps, that Chiang had threatened to bomb Kunming, that Lu would declare his independence - but few of the rumors had solid foundations. There is no doubt that the Central Government made threats against Lu Han if he did not comply, though, but what form they took is unknown. Barricades appeared in Kunming's streets. Then on September 4th the Nationalist commercial airlines withdrew from Kunming on orders from Chiang. Finally Lu Han decided he had to accept the "invitation" and on September 6th, after declaring martial law in Kunming, he flew to Chungking with P'ei Ts'ung-fan, one of his advisers who is pro-Chiang. It is virtually impossible to know exactly what took place at the conferences in Chungking, but when Lu Han returned to Kunming on the 8th his position was radically changed. He could no longer sit on the fence. He was committed to the Nationalist side, and the days of his autonomy had been cut short. Chiang had won a diplomatic victory, however short-lived it might prove to be, in a domestic situation which was rapidly falling apart.

After Lu Han's capitulation the expected reaction began on September 9th when all publications in Kunming except two pro-Government papers were closed and all public meetings without official approval were forbidden. On the 10th the Provincial Council was dissolved. On the 11th secret service men began widespread arrests of students, Council members and others; the arrests included many men who were really pro-Communist and many who were simply critical of the KMT. Yang Chieh and K.T. Tseng escaped, however. (Yang was assassinated in Hongkong not long thereafter.) On the 13th Kunming's two universities and all its middle schools were closed for "readjustment", a polite name for a purge. (Reregistration is now taking place, but hundreds of students have not yet reappeared. Many have undoubtedly joined guerillas in rural areas. Students who reregister are divided into groups in which each person must guarantee the loyalty of the others.) The suppression of civil liberties accomplished by these acts was near complete. It was carried out by Kuomintang secret service men, and Lu Han had very little direct control over the situation.

As these events were taking place reinforcements of Central Government troops started moving into the province. Previously the 26th Army had been the only important Central Government unit in Yunnan, but in September the 89th and 8th armies began moving in from Kweichow. This more than any other single thing altered Lu Han's position and eliminated, for the time being at least, the possibility of independent action on his part.

Since those hectic days of early September, gradual changes have taken place in the financial and economic as well as in the military and political relationship between Yunnan and the Central Government. It is interesting and perhaps significant, however, that on detailed questions of dispute between Lu Han and the national authorities, Lu has not given in completely. For one thing, An and Lin, the two commissioners with definite autonomist leanings, remain in the government despite the predictions that they would be removed. On some matters of policy as well as of personnel Lu still resists Central Government pressure for change.

A compromise solution has been reached, in principle, on Yunnan's financial position, although the program is not yet fully implemented. This compromise restores overall national financial control of Yunnan, but some concessions are made to Lu Han's point of view. At present Yunnan's budget totals about National Silver \$1 million a month. (The rate between National Silver and Yunnan Silver is set at 2.25 to 1. The rate between Yunnan Silver and the U.S. dollar varies but is now about 1 to 4.50. National Silver is the principal legal tender in Yunnan at present while Yunnan Silver is secondary legal tender.) Provincial tax receipts, including the province's share of the land tax, bring in about 20 percent of this amount, just enough to meet the 20 percent of the expenditures which are for administration and other civil purposes. 80 percent of all expenditures are used for "bandit suppression" and support of the Provincial Peace Preservation Corps, and the funds for these purposes will continue to be met, in an interim period, by the use of tax receipts from Central Government taxes in the province. According to the plan worked out, however, the Peace Preservation Corps will be reorganized into two armies under national control. When this is done the support of these troops will be taken over by the Central Government, and the province will then turn back to the Central Government the tax receipts which legally belong to it. The land tax will be levied in National Silver instead of in kind, but two-thirds of the receipts will be paid to the Central Government. Finance Commissioner Lin has a detailed plan for making the land tax more equitable, but it is doubtful if he will have much success implementing it under the altered financial situation in which increased Central Government pressure can be expected, because the Central Government's sources of revenue are constantly shrinking. Commissioner Lin has to-date been successful in keeping out the national paper currency (Silver Exchange Notes). He insists that he will accept it in Yunnan only on two conditions: that it has adequate backing in silver bullion deposited in Kunming and that the notes be surcharged "Yunnan" to differentiate them from unbacked notes which might flow in from outside the province. It is not likely that these conditions will be met, but Lin may find it hard to resist further pressure to accept the notes in spite of the fact that his conditions are sound from a purely financial point of view. When the Central Government assumes the burden of paying large numbers of troops in Yunnan it may insist upon using paper currency rather than silver.

In the military sphere the plan for reorganizing the provincial Peace Preservation Corps (now in the process of expansion from 12 to 18 regiments and from 30,000 to over 40,000 men) into two armies under Central Government control is scheduled to be carried out "soon". The provincial authorities still oppose conscription, however, and all expansion to-date has been on the basis of voluntary enlistments.

The present military situation in the province is as follows. In addition to the Peace Preservation troops, which are poorly equipped and not well trained, there are now three national armies. The 26th Army under General Yü Ch'eng-wan has roughly 28,000 men. Its headquarters are at K'aiyuan in the Southeast part of the province. Its troops are above average, and its commander, a graduate of the first class at the Whampoa Academy, is cocky. "I can beat the Communists", he said to me in K'aiyuan. But he added: "I'll retreat into Indo-China rather than give up if the Communists take Yunnan". Yü has been fairly successful in pacifying the Communists and bandits in his area, but although he claims to have fought 213 "battles" since last March it is unknown how much fighting has actually gone on because fairly reliable sources report that some of his junior officers have maintained cordial relations with officers under Chu Chia-pi, the chief Communist in the area. The 89th Army under General Liu Po-lung has recently moved into Yunnan from Kweichow and has about 25,000 men with headquarters at Suanwei. The 8th Army under General Li Mi is still moving its 25,000 men into Yunnan; its headquarters will be at Chani. The 8th and 89th are both relatively inexperienced. General Yü of the 26th, in fact, sums up his opinion of them and the Peace Preservation Corps in the word "useless". Most of the troops in Yunnan have not received any pay for almost two months. None of them have first class equipment in the category of heavy weapons. (Yü told me that the 26th does not even have Winter uniforms.) Although they are all under the theoretical command of Lu Han who is Yunnan Pacification Commander, the first loyalty of the army commanders is to Chiang K'ai-shek. Lu Han's chief of staff, General Hsieh Ts'ung-wen told me, furthermore, that no comprehensive plan of defense, to say nothing of offense, has yet been drawn up; it awaits action by higher authorities, he says. Hsieh also says that no direct liaison is maintained with military forces in adjacent Kweichow and Kwangsi because they are "battle areas" whereas Yunnan is a "rear area".

As the above indicates the military forces in Yunnan are far from formidable, and when compared with what they may have to face before long they don't even make a showing. General Hsieh states, furthermore, that "Yunnan cannot support any more troops than it has now". The plain fact is that great difficulties are being encountered in supporting the forces now in the province, and the general feeling locally seems to be strongly opposed to any more troops. To understand this feeling one must realize that the prevalent attitude toward Nationalist troops is that they are simply mouths to feed, and the performance of Nationalist troops elsewhere in China makes most people feel that it is not worth the cost of feeding them. If the Nationalist troops now being pushed

back by Communist advances in Kwangsi and Kweichow eventually retreat into Yunnan they may be met not as potential defenders but as unwanted mouths. A concentration of refugee troops in Yunnan might, therefore, simply multiply Yunnan's economic and political problems without increasing the province's ability to defend itself to any significant degree.

The national and provincial troops within Yunnan are more than adequate to pacify internal opposition from Communists and bandits if concerted efforts were made in that direction, but to-date pacification of this sort has been only partially successful. It is true that many areas have been cleared of guerillas and lawless elements in the past six months, but large areas of the province are still not under the government's control. The anti-government forces include local Communist regulars (numbering perhaps twenty thousand or more), Communist irregulars, Lung Yun supporters (often led by opportunist members of the gentry) and old-type bandits. Even if they all worked together, which they don't, they could not directly challenge the provincial regime, but they have caused it a lot of trouble by hit and run tactics. They have occupied a number of large cities such as Paoshan temporarily, and they still hold a few such as Likiang in the Northwest of the province. Probably no one can say with any accuracy how much of Yunnan is occupied by anti-government forces of all kinds, but the most common estimates place the territory actually under effective government control as one-third to one-half of the province.

The most important anti-government group in the province is, of course, made up of Communist regulars. The head of these regulars is said to be Chuang T'ien, former Vice-Commander of the Communist Hainan Island Column, who is reputed to have the title of "Yunnan-Szechwan-Kwangsi Regional Area Commander", but Chuang's whereabouts and activities are unknown. The most active field commanders are: Chu Chia-pi, a former Colonel under Lu Han and reputedly Yen-an-educated, who until recently has operated in the Southeast but is now moving to the Southwest; Yu Wei-min, a local Yunnanese leader, who is in the Southwest already; and Yang Shou-tu, a Yunnan University Graduate, who has moved through several parts of the province including the central region. These men and their troops cannot directly threaten the government in Kunming, but they can be expected to intensify disruptive attacks when Yunnan is threatened by external attack from Communist forces. The French Consul in Kunming, incidentally, asserts that on July 17, 1948, Chu Chia-pi's forces retreated into French Indo-China and spent five months there cooperating with Ho Chi-min and studying in Viet Min training centers before returning to Yunnan. The Consul also claims that informal liaison is still maintained between Ho in Indo-China and the Chinese Communist guerilla leaders across the border in Yunnan. According to him, the French expect the Chinese Communists eventually to give moral support and indirect assistance to the Viet Min, but they do not expect direct attacks or intervention by the Chinese Communists. An even more immediate problem for the French, however, may be caused by retreating Nationalist troops. If Nationalist troops do retreat into Indo-China in the future the French will attempt to disarm and deal with them according to accepted international law, the Consul in Kunming states.

I have already described some of the political, military and economic factors in the local situation in Yunnan at present. How about popular support? And the will to fight? As in most of China the large mass of people in Yunnan are politically inactive and are playing a passive role in the situation. Throughout the province there are, as I have already indicated, large numbers of people of various sorts who are in revolt. Most other people are trying to mind their own business. There is certainly no indication of any positive will to fight, and the future is accepted, whatever it may be, with fatalism (as it seems to be in virtually all of the remaining areas of Nationalist China). The official attitude of provincial officials at present is that "the Communists will never be able to get into Yunnan", but they are vague on what will stop them, and one cannot help but remember that their present attitude is very different from their opinions of two months ago. One cannot forget, either, that their present stand is maintained, in a sense, under duress. There is no mobilization, either materially or spiritually, comparable to what took place during the Sino-Japanese War, and comparisons between the present and the wartime period are not valid. The threat this time is not from a foreign invader but from Chinese, and the fact that the Chinese Communists have close affiliations with a Soviet-dominated world movement does not seem to affect the opinions of many people. I have asked people of many sorts: "Do you expect the Communists to take over control of Yunnan." The almost universal answer, except from those directly connected with the government, has been a simple "yes". In response to "when?", few people have a definite answer but most seem to be thinking in terms of a few months.

These are the attitudes and conditions which the Central Government will meet if it is forced to move its capital from Changking to Kunming. If Yunnan becomes a final bastion of Nationalist resistance it is doubtful if the situation in the province will change materially. If anything the problems which already exist will be increased with an influx of Central Government troops and personnel. There is very little reason to believe that the Central Government could hold out for any length of time in Yunnan if the Communists concentrate on taking the province after cleaning up areas North and East. If the Communists stop or bog down, if an unforeseen deus ex machina enters the picture, if the whole China situation changes, or if a Third World War starts, the Nationalists may have a future in Yunnan. None of these things seem likely at the present time.

Sincerely yours,

A. Doak Barnett

A. Doak Barnett