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No. 1210 - 17 July 1945

WAR DEPARTMENT
Office of A. C. of S., G-2

By Auth. A. C. of S., G-2
Date 17 July 1945
Initials G. W. C.

"MAGIC"—DIPLOMATIC SUMMARY

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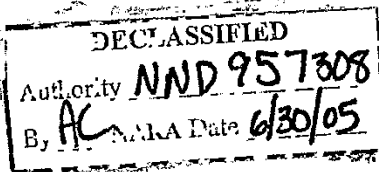
The enemy knows that we attempt to exploit these sources. He does not know, and must not be permitted to learn, either the degree of our success or the particular sources with which we have been successful.

MILITARY

1. Tokyo says no unconditional surrender: On (197211
17 July Foreign Minister Togo sent the following message WLMR
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to Ambassador Sato:

"We have been fully aware from the outset that it would be difficult under existing circumstances either to strengthen the ties of

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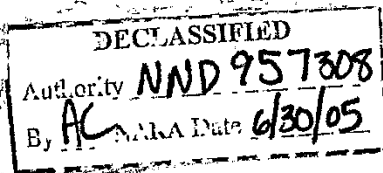
friendship between Japan and Russia or to make effective use of Russia in ending the war. The present situation, however, is such that we have no recourse but to make efforts along those lines and we cannot be satisfied merely with keeping Russia from entering the war against Japan. We have therefore decided to recognize the Russians' wishes on a broad scale in order to obtain their favor. Negotiations for that purpose are a necessary ----- [word uncertain, possibly "prerequisite"] for soliciting Russia's good offices in concluding the war and also in improving the basis for negotiations with England and America.

"Although the directing powers, and the Government as well, are convinced that our war strength can still deliver considerable blows to the enemy, we are unable to feel an absolutely secure peace of mind in the face of an enemy who will attack repeatedly. If today, when we are still maintaining our strength, the Anglo-Americans were to have regard for Japan's honor and existence, they could save humanity by bringing the war to an end. If, however, they insist unrelentingly

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upon unconditional surrender, the Japanese are unanimous in their resolve to wage a thorough-going war.

"The Emperor himself has deigned to express his determination and we have therefore made this request of the Russians. Please bear particularly in mind, however, that we are not asking the Russians' mediation in anything like unconditional surrender.

"It is extremely vital that we obtain the Russians' consent to the sending of a Special Envoy as quickly as possible; so please endeavor through Lozovsky to obtain that consent."

2. Japanese reports of guerrilla operations in North China and Manchukuo (refer to map attached to p. 5): The "Ten-Day Intelligence" circular sent out on 14 July by the Army General Staff in Tokyo includes the following statement:

"The Chinese Communists finally began an armed penetration of [southern Jehol Province] during the latter part of June, and Communist and Chungking [forces] have become very active in southern Shantung and in northern Honan."

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Earlier Japanese reports of guerrilla activity in the general areas mentioned in the circular have included the following:

a. In a 25 June message, Ambassador Yamada in Hsinking informed Tokyo that on 21-22 June between 3,000 and 4,000 troops of the Chinese Communist 8th Route Army had entered southern Jehol and that a recently captured document indicated that Communist forces in eastern Hopen were planning a large-scale invasion of Jehol and Liaoning Provinces (DS 5 Jul 45).

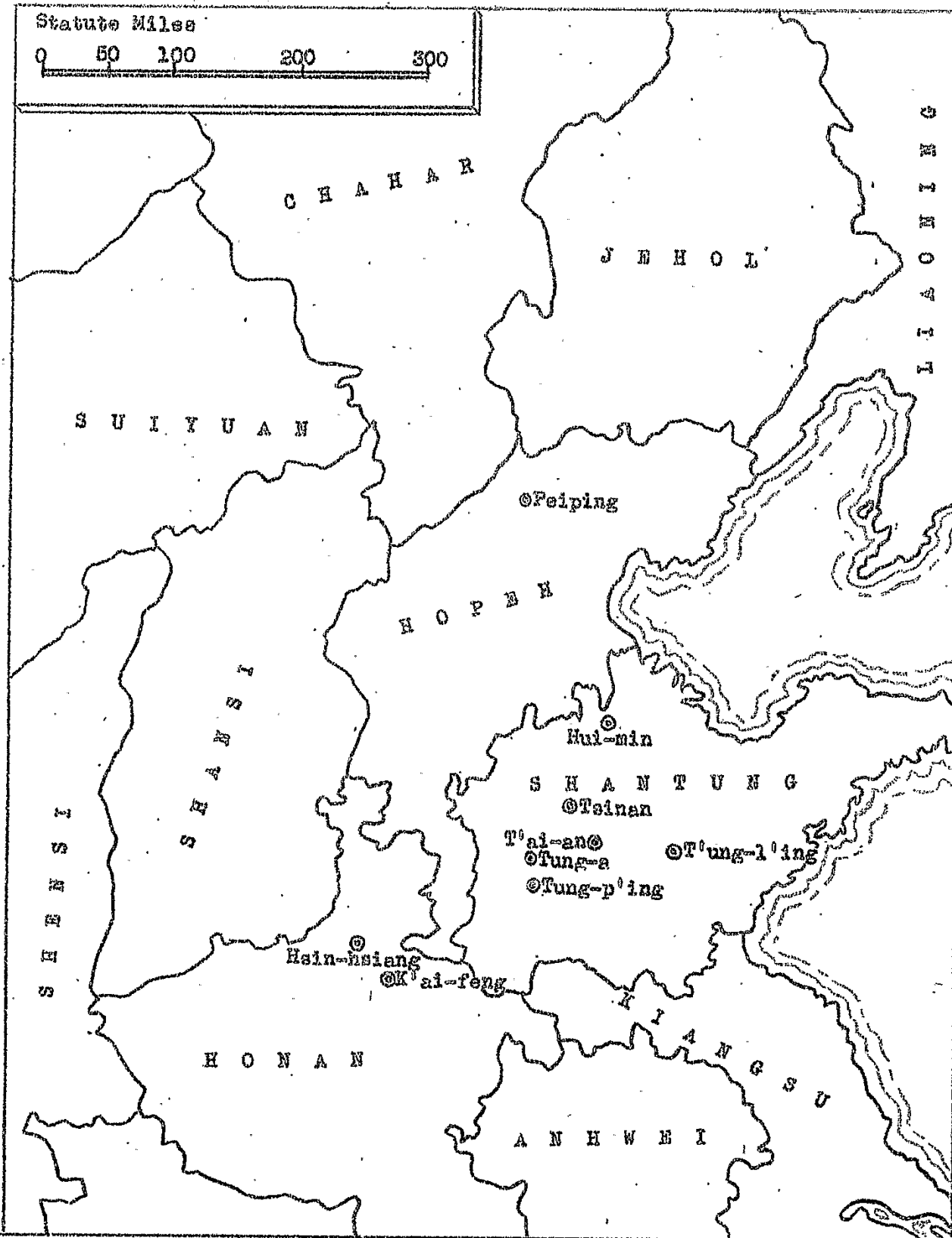
b. On 6 July the Consul at Tsinan (Shantung Province) reported that, judging from guerrilla operations in May, "the strength of the 8th Route Army in Shantung seems to be gradually increasing." According to the Consul, during May the guerrillas attacked Japanese forts at five places--Hui-min, Tung-ling, Tung-p'ing, T'ai-an, and Tung-a, all within 80 miles of Tsinan. He noted that in an operation beginning on 17 May two of the forts had been attacked for three days by "8,000 bandits" of the Communist Hopen-Shantung-Honan Area Army, who had inflicted 200 casualties and taken 1,000 prisoners.

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c. On 11 July the Consul at K'ai-feng, in northern Honan, advised Peking that "recently the state of public order in our jurisdiction has suddenly taken a turn for the worse." In that connection he mentioned (1) the "sudden outbreak of explosions . . . without precedent here [which are] the work of the Chungking Group," and (2) the fact that "Wang Kuo-jan [unidentified], commanding the North China Communications Group for Chungking, has become quite active" and, "since he is receiving supplies of arms and ammunition en route, he has advanced from Hsin-hsiang [45 miles northwest of K'ai-feng] to this area."*

*Two recent cables from the CG USAF Chungking indicate that during the first part of July a group of "OSS guerrillas" operating in the vicinity of Hsin-hsiang derailed two troop trains, blew up seven bridges and carried off over 500 rails.

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POLITICAL

1. Japanese attitude on proposed Shanghai (196298
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 196432
 196437
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 176072
 196188
 DS 1, 22
 Mar 45
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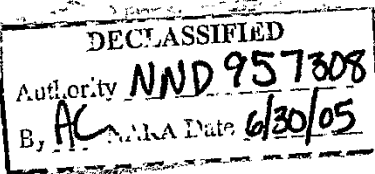
safety zone: At the end of June the United States informed Sweden and Switzerland that it could not consent to the proposed establishment of a safety zone for civilians in Shanghai. There are now available several messages which clarify the position taken by the Japanese Government on the subject:

a. On 1 July Foreign Minister Togo advised the Japanese representatives in Nanking and Shanghai that he had recently informed Switzerland and Sweden that (1) Japan, as an ally of the Nanking Government, would "cooperate with that Government to the bitter end" and was "firmly resolved to launch a counter-offensive against an Anglo-American invasion", and (2) as a consequence Japan could not consent to any measures which would place "any sort of obstacle in the way of the joint operations" of the Japanese and Nanking Governments. Togo added that, "after sufficient liaison with the various Soviet Consuls", the Nanking and Shanghai representatives were to work for "a compromise settlement locally with

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Switzerland and Sweden" along the lines he had previously suggested. (Earlier Togo had requested Japanese diplomats in China to take special measures for the protection of neutrals in view of the "expected conversion of Shanghai into a battleground" (L-DS 18 Jun 48.)

b. In a 10 July report, Swiss Minister Gorge in Tokyo quoted Togo as saying that, while Japan was "anxious for humanitarian reasons to protect insofar as possible the life and property of civilians from the calamities of war," the proposed safety zone was "impractical" because it was so "extensive" that it would "interfere with Sino-Japanese defense" and because it would be impossible to prevent "an inrush by the disorderly population."

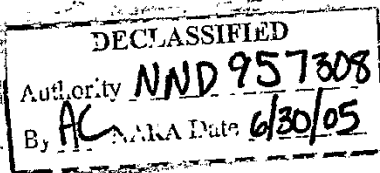
c. On the next day Gorge reported that another official in the Foreign Ministry had made the following counter-proposal:

"The proposed zone was to include the area of the former French Concession, the southwest portion of the International Concession, and a part of the western district of Shanghai.

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"The Japanese authorities consider that the only practicable solution would be to concentrate neutral nationals in a definite block of buildings which would be known to the enemy, which would not shelter Japanese military, and which would be removed as far as possible from military objectives."

Note: On 21 June Consul Toyoda in Shanghai reported that the local Japanese authorities had already selected two universities, a hospital and a convent as places of refuge for neutrals (DS 8 Jul 45).

2. Sino-French relations: Attached as TAB (196434
196909
196910
194870
195792
WCM)

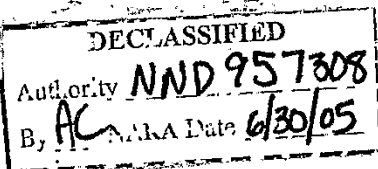
A is a digest of recent French messages discussing plans for (a) an agreement with Chungking concerning the administration of civil affairs in Indo-China upon its liberation, and (b) a more general Franco-Chinese treaty. The points brought out in the messages include the following:

a. The general treaty which the French have in mind would provide, among other things, for surrender by France of her "non-reciprocal" rights in China and "the confirmation" of the Indo-Chinese boundary line.

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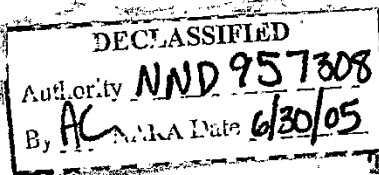
b. The French are prepared to give up control of Kwangchowan, and--if "military operations force [France] to take a stand immediately"--they are willing to make a formal surrender of the territory's administration whenever China desires, provided that France receives "assurances in respect to persons and property."

c. Ambassador Fekhoff in Chungking, who is convinced that the Chinese still have designs on Indo-China, is inclined to go slowly with the negotiations. As of 13 July he had not yet officially proposed either agreement. However, K. C. Wu, Chungking Vice Minister of Foreign Affairs, had himself suggested that a general treaty be negotiated, stating that there would be no "real stumbling-blocks" to such an agreement. Fekhoff made a non-committal reply; and, in reporting to his Government, warned that it would be "out of the question" to get the Chinese to make a broad agreement on civil affairs in Indo-China.

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ECONOMIC

1. The coal position of the Inner Zone (see pull-out chart, p. 14): A considerable amount of new information on the coal position of the Inner Zone has now accumulated, and a revision of the coal study published last December (DS 20 Dec 44) has therefore been prepared. The revised study contains several new points of interest:

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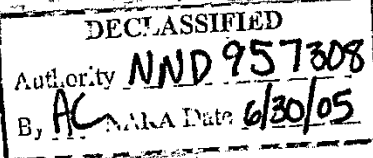
a. Coal production in Japan proper (excluding Karafuto) has dropped to an estimated level of about 40,000,000 tons annually, 12% below the estimated production for 1939. Imports from other areas have fallen from the April 1944-March 1945 level of 4,000,000/5,200,000 tons annually to an estimated current rate of 2,250,000 tons annually. Japan's current coal supplies are therefore of the order of 42,250,000 tons per annum.

b. There is now available sufficient evidence to permit an estimate of the amount of coal produced and consumed on each of the main Japanese islands. The estimate shows a production-consumption pattern approximately as follows (as of 1 July 1945):

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<u>Area</u>	<u>Production</u>	<u>Consumption</u>
Honshu*	4,000,000	24,650,000
Kyushu	26,000,000	13,000,000
Hokkaido	<u>10,000,000</u>	<u>4,600,000</u>
Total	40,000,000	
Add: Imports (all to Honshu)	<u>2,250,000</u>	
Grand Total	<u>42,250,000</u>	<u>42,250,000</u>

c. As the table shows, Honshu--the largest consuming area--is dependent on imports for about five-sixths of its total coal supplies. An estimate of the amount of coal which Honshu receives via each principal importing route appears on the flow chart attached to p. 14.

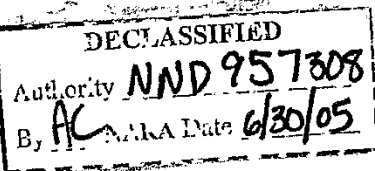
d. There is a considerable amount of evidence indicating that the coal shortage in Japan is already being felt by the munitions industry generally and by the Japanese railroads; it is also clear that the decline in imports of continental coking coal--together with a parallel decline in supplies of iron ore-- have reduced pig iron production to a

*As used in the table, "Honshu" is intended to include both Honshu and Shikoku. Shikoku produces no coal of its own, and is believed to consume a relatively small quantity, all of it from the same areas that supply Honshu.

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point far below the level at the outbreak of the war.*

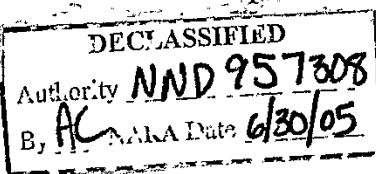
g. It is evident from the flow chart that all of Honshu's coal imports (except perhaps for the amounts moving by small vessels from Kyushu via the Inland Sea) pass over routes which are vulnerable to attack. Operational cables state that the mid-July carrier strike on the Aomori-Hakodate rail ferry (which is estimated to carry 2,000,000 tons of coal from Hokkaido to Honshu annually), sank five and damaged two of the seven or eight ferry ships believed to be in operation; and current submarine, mining and bombing attacks on Japanese shipping can be expected to achieve additional reductions in coal movements. If those measures were augmented by successful blockade of (i) the Kammon rail tunnel between Honshu and Kyushu and (ii) a number of key points

*Apart from the shortage in Japan, there is a considerable amount of evidence that Korea and Central China are also experiencing severe coal shortages.

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in the Honshu rail network, Honshu's coal supplies might be reduced to about 25% of the 1 July 1945 level. Although details on Japanese coal consumption are lacking, it seems fairly clear that a reduction of that order would bring munitions production and rail transport on Honshu to a virtual standstill.

Note: Allied attacks on German transportation facilities produced a noteworthy effect on coal supplies and consequently on armament production. The evidence so far accumulated by the United States Strategic Bombing Survey--while not affording an exact analogy to the situation in Japan--shows that:

a. Primarily as a result of (i) the loss of the Silesian coal fields to the Red Army and (ii) Allied air attacks on rail and water transport facilities leading from the Ruhr and the Saar to the rest of Germany, coal deliveries to consumption points declined from 24,000,000 tons in the month of January 1944 to 6,000,000 tons in the month of January 1945.

b. According to Albert Speer, German Minister of Armaments and War Production, the

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PSYCHOLOGICAL AND SUBVERSIVE

1. Unrest in Mengchiang: A 10 July report (196158 WFG) from the G.E.A. Ministry office in Kalgan (capital of the puppet state of Mengchiang) includes the following comments:

a. "The large-scale air attacks on Japan and the changing phases of the battle of Okinawa have increased the feeling of local native officials and common people that 'Japan is finished.'" They are also "apprehensive lest . . . the continent become a battlefield," and "official circles" feel that "this area will clearly be visited by the worst ravages of war." The idea of defeat is "pervading [all] classes."

b. "Wild rumors issuing from the North China area and from scheming economic propaganda put out by the enemy, the marked rise in commodity prices, and a feeling of the imminence of events, have all caused a decline in the people's confidence in the Mengchiang Government."

For the Assistant Chief of Staff, G-2:

Carter W. Clarke
 CARTER W. CLARKE
 Brigadier General, GSC
 Deputy Chief, MIS

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