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OUTLINE OF MEASURES FOR THE CHINA INCIDENTDECISION OF THE CABINET COUNCIL  
ON DEC. 24th, 1937

Top Secret

Negotiation /written in  
pencil/Outline of Measures for the Incident (A)

Since the outbreak of the Incident, the Imperial Government earnestly hoped that the NANKING Government would immediately abandon its anti-Japanese pro-Communistic policy and would act in concert with Japan and contribute to the stabilization of East Asia. If that Government will reconsider, we shall strive with her to save the situation. However, we must be prepared for the time when the Government will advocate further drawn out resistance, and show not the slightest sign of reconsideration. On the other hand, with the development of our military activities, Japan's occupational area has become extensive, making it necessary to immediately carry out its management. Taking these situations into consideration, we shall not necessarily expect the conclusion of the negotiations with the NANKING Government, but, while striving separately to save the situation, we will, as the military operations progress, in order to cope with the drawn-out resistance by the NANKING Government, take measures according to the following policy in the North and Central China areas.

This purport of the above policy shall be declared to the whole world at a suitable occasion.

I. Policy for the Management of North China.

In North China, we shall aim at the establishment of an anti-Communistic pro-Japanese and Manchurian regime politically and the creation of an inseparable relation between Japan, Manchuria and China economically. We shall promote the realization of these objects and gradually expand and strengthen this regime which shall be supervised to become the leading power of reconstructed new China.

However, in case the negotiation with the Central Government is concluded, this new regime shall be adjusted according to the peace conditions.

A. Policy for Political Supervision.

(1) It is of vital importance to create a new North China Regime, capable of winning public confidence not only in North China

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but also in Central and South China. For this purpose:

(a) the leaders of this regime shall be comprised of characters having the confidence of all China;

(b) this regime shall have an organization appropriate for the new era;

(c) it shall maintain an outline of policy worthy of being advocated to all China;

(d) as regards our supervision of the said regime, we shall do it in accordance with the policy of not directing or interfering in the particulars of administration by the disposition of Japanese officials, but restrict it to internal supervision by Japanese Advisors in regard to the main points.

(2) The areas to be included by the new North China Regime shall depend on the development of the military operations; but mainly, they shall be the three Provinces, HOPEI, SHANTUNG, SHANHSI, and a part of CHAHAR Province. The CHITUNG self-government shall be dissolved and absorbed by the new regime. The self-governments of CHANAN and CHENPEI shall be absorbed by the new regime at a suitable time. Moreover, close relations shall be maintained with the self-government of MONGOLIA.

(3) For the time being, we shall not concern ourselves with the concessions in order to avoid disputes with third countries. However, outside of the concessions, we shall, even before the establishment of the new regime, supervise things so as to complete the administrative organs like postal, electrical, tax and road administrations. With regard to the customs, considerations shall be made separately.

#### B. Policy for Economic Development.

(1) The object of the economic development in North China shall be to strengthen the synthetic relation of Japanese and MANCHURIAN economy, and to establish the foundation for realizing co-prosperity and coalition among Japan, MANCHUKUO and CHINA. For this purpose, we shall develop and adjust every line of economy, by closely combining Chinese capital on the spot and our capital and technique, and thereby strive for the maintenance of peace and stabilization of public life and contribute to the development and increase of production of necessary materials for the national defense in a broader sense in Japan and MANCHUKUO.

In carrying out the developments, we shall pay attention to the harmonization of international revenues and disbursements of Japan, Manchuria and North China and the adjustment of supply and demand of materials, and take steps as the occasion may demand. We shall also do



our best to put the Chinese in the limelight in order that they will not get the impression that economic pressure is being put upon them; and we shall put emphasis on proper management in line with the national policy so as not to betray the expectation of our entire nation.

(2) A national policy company shall be established for the development and control of economy in North China and it shall be organized so as to actually realize the unity of the national spirit and the industrial mobilization of our country.

The above company shall be responsible for the development, management and adjustment of the important industries, such as the major transportation enterprises, (including harbours and roads), the major communication enterprises, the major electric power generating and transmission enterprises, the major mining enterprises, the salt industries and industries utilizing salt.

As to the management of the above company, we shall always be careful to exercise the necessary control according to the circumstances of our country, and to comply with the important industrial plans of both Japan and Manchuria. Enterprises other than the above major industries shall not be put under any special control except for special reasons.

(3) In the economic development of North China, we shall strive for the utilization of Chinese capital and promote cooperation with Chinese enterprises.

(4) Cooperative investment of funds by any third country in the economic development of North China shall be permitted.

The existing economic rights and interests of the Powers in North China shall be respected as much as possible.

(5) Close connection shall be kept in the trade relation between Japan, MANCHUKUO and North China, and suitable adjustment shall be made in regard to trade between North China and any third country.

(6) The government on the spot shall be called on to gradually establish necessary facilities in regard to agricultural improvement, flood control, irrigation, forestation, and cooperative enterprises.

(7) Existing enterprises in North China in connection with major industries shall be disposed of or adjusted according to this policy.

(8) Measures shall be taken to immediately operate enterprises which are able to start at once on condition that disposal or adjustment will be made in the future according to this principle.

(9) The Provisional Government of the Republic of China, or the Public Peace Maintenance Associations, or their federation, or the district governments shall, for the time being, be the party we shall deal with in the negotiations on the economic development of North China.



## II. Policy for the Management of the SHANGHAI Area.

(1) We shall consider the establishment, at a good opportunity, of a new government in areas occupied by our troops, which will have connections with the new regime in North China. However, for the time being, the Public Peace Maintenance Associations, and if necessary, their federation, shall be established and they shall be charged with the maintenance of peace.

(2) The policies for the Concession and for the areas around the Concession shall be established separately.

### Policy for the Management of the Areas Around the Concession

#### (A) Administration

As to the areas around the Concession, we shall cooperate toward the development of those areas, and consider the establishment of organizations for the security of peace in the Concession. This shall be managed according to the following outline.

(1) The areas around the Concession, i.e., the areas under the jurisdiction of the Greater SHANGHAI City, excluding the Concession and the roads on its boundary, shall be called the Special City.

(2) The administration of the Special City shall be conducted by a Chinese mayor. However, a Japanese councillor shall be appointed for the Special City in order to assist the mayor and to supervise the general administration. The authority of the councillor shall be established separately.

(3) A Special Police Department shall be established in order to conduct the police administration of the Special City. The Chief of the Police Department and all lower ranking police chiefs shall be Chinese, but a reasonable number of Japanese Councillors shall be appointed in order to cooperate with them. The authority of the councillors shall be established separately. Furthermore, the employment of foreign councillors shall also be considered, if necessary.

The number of Chinese police and their armaments shall be established separately. The police authority for Japanese residents in the Special City shall come under the jurisdiction of the consulate police.

(4) The financial administration of the Special City shall be maintained by various revenues which will include the various kinds of taxes levied in the old city of Shanghai, and will also be obtained by taking over various organizations under direct control of the former Kuomintang Government, such as the tax administration, the telephone and



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telegraph administration, the postal administration, etc., in the area of the Special City or by setting up new establishments.

(5) In the future (in expectation of the establishment of a new regime in Central China), the entire Special City shall be an open port city; and rights of residence, trade, ownership or permanent leases by foreigners shall be recognized (for the time being the pending question relating to land possessed by Japanese is expected to be solved).

(B) Policy for the Establishment of Japan's Economic Rights and Interests.

With the aim of establishing the foundation for Japan's economic development in the areas of Central China, with Shanghai as the base, the following measures shall be taken as one of the concrete policies:-

(1) The areas around the Concession (area under the jurisdiction of GREATER SHANGHAI CITY excluding the Concession and the roads on the boundary) shall be called the Special City; and a national policy company shall be established in order to maintain control of various kinds of business of public character such as telephone, electric power, electric light, water supply, gas, electric car, bus and other enterprises in the said Special City, and to manage or adjust enterprises in connection with the following clauses. As to the scale and the order of business undertakings of the said national policy company, they shall be determined separately by taking into consideration the actual condition of our country and the situation on the spot.

The capital of the said national policy company shall be provided from funds on the spot, in so far as they are allowable for that purpose. Furthermore, the providing of capital to Japanese entrepreneurs of small and medium scale in the Special City and in the Concession, as well as for the acquisition of real estate in the Concession by Japanese, shall be taken into consideration separately as soon as possible.

(2) All the official establishments, lands, buildings, etc., in the Special City owned by the former Chinese authorities shall be taken over by the Japanese; and shall be appropriately utilized. But those which are required by the authorities of the Special City for their administration shall be used by them.

(3) The area of the Special City shall be utilized as much as possible as the base of connection for communications, transportation and airways between the vicinity of SHANGHAI, and various districts of JAPAN, NORTH CHINA and MANCHURIA; and the following articles shall be carried out for the time being:

(a) Some suitable steamship companies shall make use of CHIUKIANG Pier and the CHAOSHANG CHU Pier.

(b) Various facilities necessary for the practical acquirement of cable and wireless (broadcast inclusive) communication rights in



the SHANGHAI area in the future shall be controlled and managed.

(c) LUNGHWAI Airfield shall be controlled and managed as a connecting air base for the SHANGHAI-FUKUOKA Route. Furthermore, the right of administration for both HONGJAO and YUANTUNG air bases shall be acquired and they shall be of service for the establishment of practical rights for airways connection between Japan and China in the future.

(4) A large market shall be established in the Special City area and it shall supply the Concession with necessities of life such as fish, meat, vegetables, etc. (For the time being, the utilization of the fish-market in SHANGHAI City shall be taken into consideration; and small crafts shall be permitted to leave and enter the port freely.)

(5) For the time being, as for business which can be immediately started, measures shall be taken to start them promptly, under the condition that they shall be properly disposed of or adjusted at the time of the establishment of the national policy company.

The Public Peace Maintenance Committee or the district governments shall, for the time being, be dealt with in the negotiations for the establishment of these economic rights.

Policy B for the Management of NORTH CHINA

Matters Agreed at the Cabinet Conference relating to the Policy for Economic Development.

1. As for major transportation enterprises and major communication enterprises, unified management by a single company in all of MANCHURIA and CHINA shall not be permitted.

2. Efforts shall be made to strengthen the finance of the NORTH CHINA Regime in order to promote public enterprises and other development enterprises in NORTH CHINA.

3. In order to maintain and improve the international revenues and disbursements between NORTH CHINA and any third country, an effective and appropriate policy shall be taken.

4. The gold production industry in NORTH CHINA shall be immediately undertaken from the viewpoint of international revenues and disbursements of our country, and these circumstances shall be taken into consideration when making future adjustments.



Policy B for the Management of Areas Around SHANGHAI.

Matters Relating to the Policy for the Establishment of  
Japanese Economic Rights Agreed at the Cabinet Conference

The National Policy Company shall, if necessary, be permitted to execute business in connection with the land under the control of the Japanese Army and of the Japanese civilian authorities in the Special City.