THE SHANGHAI BADLANDS

Wartime terrorism and urban crime,
1937–1941

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Island Shanghai

The battle for Shanghai lasted three months. It was the largest and longest battle of the entire eight-year War of Resistance against Japan (1937–1945). During the first few days after hostilities broke out in Shanghai on August 13, 1937, the Chinese, with extraordinary martial ardor in the face of withering artillery fire from the naval vessels anchored in the river, drove the Japanese back to the shore of the Huangpu. Because of the neutrality of the International Settlement it was impossible for the Japanese to outflank the Nationalist troops until their expeditionary force opened a second front to the north between Wusong and Liuhe on September 1. Even then, Chiang Kai-shek continued to pour his best troops into the duel. By October the Chinese had deployed seventy-one divisions and nearly all of the Central Army’s artillery units, totaling half-a-million men. The Japanese forces, with six divisions and six independent brigades, only totaled 200,000 men, but their planes controlled the skies and their artillery was preponderant. Zhabei received the heaviest concentration of fire ever laid on one piece of earth until then in history. Yet the Chinese continued to hold their lines with a calm and incredible heroism remarked upon by all who witnessed their sacrifice. On November 5, a third front was opened when General Yanagawa Heisuke landed his Tenth Army (three divisions of 30,000 men) at Hangzhou Bay and drove inland to Songjiang behind the Chinese right flank, routing the Nationalists on November 9 along the Nanjing–Shanghai Railway where the Japanese air force had already destroyed most of the bridges. General Matsui Iwane’s armored columns, no longer impeded by the rubble of Zhabei, turned retreat into slaughter. Some 300,000 Chinese troops died in the battle for Shanghai; another 170,000 perished by the time Nanjing fell on December 12.

Shanghai was the first of the world’s metropolises to suffer the destruction of World War II: its industries sustained damages of over 560 million yuan. Large residential areas were destroyed and hundreds of thousands
made homeless.\(^{14}\) Nine hundred mills, factories, and workshops had been gutted.\(^{15}\) Another thousand establishments had been wrecked or seized by the Japanese. Together with the losses in the Chinese areas, 70 percent of the city’s industrial potential was gone, 600,000 people in Shanghai and the adjacent industrial zone were out of work.\(^{16}\) War damage was set at one billion, two billion, more than three billion Chinese dollars.\(^{17}\) Nobody knew exactly how much.\(^{18}\) More than U.S.$800 million in foreign investments were lost in the country. China’s economic revival, which had centered in Shanghai and had appeared so promising at the beginning of 1937, was killed by the war, which set the country back decades.\(^{19}\)

Refugees poured into the ten square miles of the French Concession and International Settlement, swelling the population from 1.5 to 4 million within a few weeks and increasing the size of the average household to 31 people.\(^{20}\) Many left the 175 refugee camps to return to their native villages, but tens of thousands of homeless clogged the streets and hundreds of thousands more slept in office corridors, stockrooms, temples, guildhalls, amusement parks, and warehouses.\(^{21}\) With winter came disease, starvation, and exposure; and by the end of the year 101,000 corpses had been picked up in the streets or ruins.\(^{22}\)

Yet, incredibly enough, the “isolated island” (gudao) of Shanghai, surrounded by Japanese Occupation forces until the attack on Pearl Harbor four years later, began to enjoy a seemingly anomalous economic boom.\(^{23}\) Cotton mills inside the International Settlement resumed operation under British and U.S. company names.\(^{24}\) Profits doubled and trebled, and seven new mills were constructed.\(^{25}\) Flour mills increased annual production by 10 percent. The U.S.-controlled Shanghai Power Company expanded its distribution by 10 percent and spent U.S.$2 million dollars on new equipment. Four hundred small enterprises—most of them companies moving in from Japanese-occupied territory—sprang up in the International Settlement, manufacturing industrial chemicals, medicinal oils, glassware, lamp bulbs, thermos bottles, flashlights, electric fans, candies, and cigarettes.\(^{26}\) Since the raw material for these products had to be imported, shipping and insurance business enlarged as well.\(^{27}\)

Part of this boom was stimulated by the increased demands of the immigrant population, including Jewish refugees fleeing European fascism.\(^{28}\) Another source of growing demand was trade through Japanese lines with “Free China” in the hinterland. In 1940 that annual trade alone was estimated to be as high as U.S.$120 million, battening on the venality of Japanese military officers who were extremely susceptible to bribery by Chinese merchants.\(^{29}\) The export trade also improved, primarily owing to the fifty German firms in Shanghai that shipped 60 percent of the tea, 70 percent of the sesame seeds, 75 percent of the vegetable oils, 40 percent of
pig intestines, 2.5 percent of egg production, and all the available leather on the Shanghai market to feed, clothe, and shoe the wartime economy of the Third Reich.  

Puppet government

During the entire War of Resistance the Nationalists maintained a municipal government of Shanghai in exile. Nonetheless, just as soon as the Nationalist Army retreated from Shanghai on November 11, the Japanese authorities approached a number of well-known figures—Du Yuesheng, Yu Xiaqing, and so forth—to take over the city administration, but their targets either left for Hong Kong or demurred, fearing attacks by Chinese loyalists. Lu Bohong, the Catholic priest with huge investments in the Nandao tramway and electricity companies, as well as in the Zhabei waterworks, did agree to organize a South Market Local Self-Government Committee (Nanshi difang zizhi weiyuanhui), but he refused to become mayor.

Eventually, the Japanese managed to persuade Fu Xiaolan, director of the Chinese Bank of Commerce (Shanghai yinhang) and head of the General Chamber of Commerce, to serve. Fu had been one of the few to oppose lending money to Chiang Kai-shek in April 1927, and as a result was imprisoned. When he was released from jail he took refuge in Japanese-controlled Manchuria, so that it was both his closeness to the Japanese (his steel-gated residential compound was actually in "Little Tokyo") and his hatred of the Generalissimo ("I am worth fifty million dollars," he once said, "but I will spend every dollar I have to get even with Chiang") that led him to form a Shanghai municipal government of "The Great Way" (Dadao) in Pudong on December 5, 1937.

Fu Xiaolan was not at first willing to accept the title of mayor. The nominal head of "The Great Way" government was Su Xiwen, a Waseda-educated collaborator who had once worked closely with Hu Hanmin and who taught Daoist-Buddhist philosophy and political thought at the private Chizhi University in Jiangwan. His traditionalistic philosophy ("All under heaven one family / Myriad laws revert to one" [Tianxia yi jia, Wanfa gui yi]) influenced the Dadao puppet government's choice of flag, which was a taiji symbol on a yellow background. Su's collaborationist conservatism was reflected in the choice of a particularly stilted form of documentary Chinese for its gongwen (official papers), which were dated according both to the old lunar calendar and to the Showa reign, as the new administration went about the business of cleaning up South Market's streets and removing corpses from Zhabei after the Battle of Shanghai was over. Along with public health work to prevent epidemics, the
Dadao régime ordered its police bureau, under Chief Zhu Yuzhen, “to establish local order” (chengli difang zhixu).\textsuperscript{38} In ideological diction, this meant stressing that “All under heaven is one family, within the four seas we are all brothers: the Way of the sun and moon, myriad laws reverting to one, great harmony (datong) throughout the world, and using the Way to establish a state.”\textsuperscript{39} In political terms, the Dadao government promised to extirpate both the Nationalists and the Communists, eliminate the warlord scourge, and establish peace in East Asia.\textsuperscript{40}

Although the Dadao puppet government made a number of appointments to its new police bureau—including Zhang Songlin, former chief inspector of the Jiangsu provincial police, as deputy director of general affairs—the régime was short-lived, at least in nomenclature.\textsuperscript{41} Su Xiwen himself was not taken very seriously by the Japanese Special Services agents occupying Shanghai during and after December 1937, and they momentarily imported their own collaborator, a tough named Wang Zihui from North China, to run their local operations.\textsuperscript{42} Meanwhile, the poet Liang Hongzhi, a former Beiyan bureaucrat with excellent connections to the Anfu clique, had been “casting romantic glances” (song qiubuo) at the Japanese and making known his availability as a collaborator.\textsuperscript{43} Consequently, after the puppet administrations in North China were incorporated in January 1938 into the Provisional Government (Linshi zhengfu, Rinji seifu) under Wang Kemin in Beiping, in South China the Reform Government (Weixin zhengfu, Ishin seifu) was set up in March 1938 in Nanjing headed by Liang Hongzhi.\textsuperscript{44} The puppet régime announced that it would wipe out single-party dictatorship and establish a constitutional government, extirpate the Communists and safeguard East Asia from “red-ification” (chibua), consolidate peaceful cooperation between China and Japan, return refugees to their homes and establish peace-preservation organizations (baoan zuzhi) to exterminate bandits and “cleanse the villages” (qingxiang), relieve unemployment and stimulate industrial and agricultural production with the help of foreign capital and “friendly countries” (you bang), assist existing industries and financial institutions to increase production and enrich the country, thoroughly reform education with a combination of China’s traditional moral values and international scientific learning, abolish excessive taxes and levies that had been such a heavy burden on the people before, strongly support and encourage men of talent to come forward and freely criticize the government, and severely restrict the corrupt tyranny of petty officials and clerks.\textsuperscript{45}

The establishment of the new Reform Government in Nanjing was tepidly celebrated in Shanghai on March 28 with processions bearing the old five-bar national flag of the Beiyan warlords.\textsuperscript{46} Meetings were held in
the Wenmiao by the Self-Government Committee to celebrate the new government and to bow to the image of Confucius, and in the auditorium of Great China University to hear a speech by the editor of Xin shenbao (the Chinese edition of the Japanese daily Shanghai godo) and to shout, “Long live the new government” several times in unison to the popping of firecrackers and the music of a brass band. Members of the Special Services Department of the Japanese Central China Area Army Garrison in Nandao joined the first gathering, while a group of several hundred “loafers” (liumang) and coolies trucked in from Hongkou attended the second, where at meeting’s end they were each given a loaf of bread, eighty cents, and a cloth badge inscribed “celebrating the inauguration of the new government of the Republic of China by the citizens of Shanghai.”

In less than a month, on April 28, 1938, it was announced that a new Supervisory Yamen (Duban gongshu) had been commissioned by the Reform Government to take over the functions of the municipal administration formerly wielded by the Dadao puppet régime. Su Xiwen—who formally recognized the superior legitimacy of the Reform Government by adopting its flag on May 3—continued as head of the Supervisory Yamen until October 16, 1938, when Fu Xiaohan finally assumed formal office as mayor (shizhang) of the Shanghai Special Municipality (Shanghai tebie shi). Once ousted, Su was named puppet mayor of Hankou but actually repaired to Tokyo, whence he may have organized the aborted conspiracy by puppet Guard Corpsmen to assassinate Fu Xiaohan a little more than five weeks later at the civic center in Jiangwan.

Japanese Special Organs

The presence of secret servicemen from the Nandao Garrison tokumukikan (special organ) at the inauguration ceremony fittingly exposed the close connection between various Japanese intelligence units and their Chinese collaborators. During 1937–1941, “island Shanghai,” momentarily neutral like wartime Casablanca or Lisbon, was a haven for spies, intelligence agents, and provocateurs. The Japanese espionage and counterintelligence apparatus was correspondingly complex. By war’s end, the Shanghai Tokumukikan had split into seven sections: economic, political, information, propaganda, finance, construction, and general affairs sections. Originally under the legation, this “special organ” (which included civilians attached to the army) was placed under the jurisdiction of the China Expeditionary Force (Shina haken gun) headquarters at the pentagon (wujiao) in Jiangwan.

But it was only one of a number of Japanese intelligence units in the city. Whenever the various unit chiefs representing the consulate, the China
News Agency, the Japanese military, the Military Police (Gendarmerie), and so forth, met at the Japanese Club on Boone Road to coordinate their activities, more than twenty division heads typically showed up.\textsuperscript{54} As far as higher-level political intelligence work went, the most vital of these secret service units was the famous Plum Organ (Ume kikan), the special services group for the Japanese army in East China.\textsuperscript{55} As far as Shanghai counterintelligence and clandestine operations were concerned, the most important was the Special Services Corps of the Japanese Military Police, with its field operations headquartered at the New Asia Hotel on North Sichuan Road in Hongkou.\textsuperscript{56} From there it exercised covert control over a wide network of agents, including gangsters (\textit{yakuza}) in Hongkou who ran the protection rackets for cafés, beer halls, restaurants, and dance halls.\textsuperscript{57}

The Western Shanghai Intelligence Section of the Military Police, for instance, was dominated by "a notorious loafer" and gambler named Ding Jiankun, who commanded a private corps of twenty gangsters armed by the Japanese.\textsuperscript{58} Ding’s headquarters at 25–27 Jessfield Road in turn spawned two other branches at 12 Jessfield Road and in an alley off of Edinburgh Road.\textsuperscript{59} However, each of these sections, also operating under gangsters, engaged in so much private extortion and armed robbery with their Japanese-supplied Mausers that Ding himself was obliged to shut them down after shooting one of the section chiefs himself.\textsuperscript{60} Eventually, Ding Jiankun’s own office was closed, ostensibly because of inefficiency, and his men were paid off after returning their pistols to the Japanese Military Police.\textsuperscript{61}

The Military Police’s use of Ding Jiankun was a characteristic feature of the Japanese occupation of Shanghai. U.S. Treasury Agent M. R. Nicholson reported to the Narcotics Bureau on December 16, 1938:

On the part of the Japanese, they have been wanting to secure the cooperation of the underworld influences for a long time. They believe this is the best way to secure control of the foreign areas [of Shanghai], for once they can secure these underworld forces, they will be able to create disturbances, to harass the police, to arrest anti-Japanese elements and Chinese government agents, attack Chinese government banks, law courts, and anti-Japanese newspapers, and damage the stability of the Chinese currency. This means they could control the foreign areas through these gangsters without resorting to occupying them by force. The only weapons left for the Japanese to secure the cooperation of these gangsters are opium and gambling business.\textsuperscript{62}

The sale of drugs was also a characteristic feature of the Japanese Occupation of China at large.\textsuperscript{63}
Although the Nationalist government reported to the League of Nations in 1939 that opium poppies were no longer grown anywhere in China, the extent of drug addiction was extraordinary. In Suzhou, where opium was the main source of revenue, 500 dens were reported. Hangzhou was wide open. Beijing officially acknowledged 314 public opium establishments. Hankou had 32 wholesale stores, 340 dens, and 120 hotels that sold 4,000 ounces of opium daily to 35,000 smokers. And in some districts in Guangdong it was reported that the ratio of rice brokers to drug dealers was one to three or four.

As Japanese troops took over each of these areas, the occupation authorities under the general direction of Tokyo's Asia Development Board sought to monopolize and expand the illicit traffic in narcotics. Nanjing became the center of the opium trade along the lower reaches of the Yangzi River. By 1939, when pure heroin sold for about $300 per ounce, there were 2,400 dealers (many of them policemen) throughout the city, selling drugs to 60,000 adults and children alike—one-eighth of Nanjing's entire population. By 1941, poppy fields were being cultivated outside the puppet regime's capital, where an opium suppression bureau under Interior Minister Chen Qun collected about $3 million per month in taxes on opium sales in Anhui, Zhejiang, and Jiangsu. Those taxes, which amounted to one-third of total revenue, were declared indispensable to the maintenance of the central government. Another $3 million of monthly profits was handed over to the Japanese Military Police and special services organs.

Shanghai, with its huge refugee-swollen population, represented even greater potential gains, as well as a way of disposing of the glut of opium in Japanese hands now that their forces controlled the Turkish traffic through Suiyuan on top of the drug trade with Manchukuo. There were two major aspects to the Shanghai drug trade at this time: a government or police function, assumed earlier by Chiang Kai-shek's Opium Suppression Bureau, which sold addicts licenses exempting them from arrest if they were found with drugs in their possession; and a commercial or gang function, maintained by cartels of drug producers supported by racketeers, who processed and supplied the drugs to retailers and street dealers. Both of these functions were linked in prewar Shanghai by the single person of Green Gang leader Du Yuesheng, who headed the Opium Suppression Bureau that issued the licenses as well as the drug syndicate that supplied the narcotics. After Shanghai fell to the Japanese, Du Yuesheng departed for Hong Kong, leaving behind several trusted lieutenants to try to hold the Green Gang together.

Just as soon as the Japanese took over the Chinese municipality of Shanghai, one of General Doihara's Taiwanese agents was approached by
Gu Jiazhai (Ku Chia-chai), a former Green Gang subordinate who was acting on behalf of a newly formed syndicate, with a proposal to the Special Services Department for an opium monopoly license in exchange for $1 million down and $200,000 a month thereafter. The Japanese did not trust Gu and turned instead to Du Yuesheng, guaranteeing his personal safety if he would come back to Shanghai and mobilize the Green Gang on their behalf. Du somewhat ambiguously refused, preferring in the end to work out his own arrangements to smuggle Yunnan and Guizhou opium out of Hong Kong into Japanese-held territory.71

While these negotiations dragged on, the Chinese puppet government in Shanghai began licensing addicts.72 Japanese military forces also shipped opium in from Dairen [Dalian] after making financial arrangements with local drug dealers to pay in advance through Japanese banks.73 After Du Yuesheng turned the Japanese offer down, the Special Services Department separated the functions of supplying and of licensing.

On the one hand, with Minister Chen Qun’s support, the Special Services Department sponsored a new coalition of Shanghai opium merchants headed by Sheng Youan, president of the People’s Bank of Jiangsu (Su min yinhang) and a person quite independent of Du Yuesheng.74 On the other hand, a conference was held in December 1938 between the Japanese military authorities and the Reform Government officials in Nanjing, which led to the opening of the Jiangsu–Zhejiang–Anhui Opium Suppression Bureau (Su Zhe Wan jinyanju) on the fifth floor of the Broadway Mansions. The new bureau’s director, Yu Junqing, was “advised” by three agents of the Special Services Department: Officers Tanaka, Satomi, and Fuhama. They were empowered to control the import and distribution of opium, to enforce licensing conditions for opium hongs and smokers, and to collect revenues from opium sales. They also brought both supply and license functions back into a single organ. All fifty-eight licensed opium hongs in Shanghai and in the badlands (where there was a branch office at 94 Jessfield Road under the command of Captain Kitaoka), had to pick up their opium requisitions from the bureau on the fifth floor of the Broadway Mansions.75

The Opium Suppression Bureau was ostensibly an organ of the Chinese Reform Government, but the Japanese Special Services Department lurked in the wings. This quickly led to jurisdictional disputes that came to a head in June 1939 when the puppet government sequestered the licensing function for itself, forming a Shanghai District Opium Suppression Bureau (Shanghai difang jiyanju) to collect a stamp tax of $1.80 on every twelve ounces of opium sold by the city’s hongs.76 The Asia Development Board in Tokyo, meanwhile, authorized the Special Services
Department to convert the tri-provincial suppression bureau into an independent organ under the command of Officers Nakanishi and Satomi. The new opium monopoly office, which was located down the street from the Broadway Mansions at 912 North Sichuan Road, was called the Central China Hongji Benevolent Society (Huazhong hongji shantang). Its main task was daily to distribute chests of Iranian ("red") opium shipped in by the Mitsui Company on demand. The advantage of this system, according to the International Settlement police, was that "it obviate[d] the necessity of purchasing and keeping large stocks of opium" on hand, which in turn made it all the more difficult for the Shanghai Municipal Police to raid and seize. The enterprise was so successful that when the Hongji Benevolent Society held its second anniversary dance at the Lido Ballroom on June 2, 1941, more than a thousand guests came, and the affair was protectively policed by constables and detectives of the Shanghai Municipal Police in the International Settlement.77

Japanese pressures on the Shanghai Municipal Police

It should come as no surprise that twenty detectives and constables from the International Settlement police (Shanghai Municipal Police) protected the thousand or so Chinese drug dealers and Japanese Special Services Department officers celebrating their narcotics gains at the Lido Ballroom. By then, as we shall see, the still-British Shanghai Municipal Police and the Japanese Military Police were formally allied against Chinese terrorists, and the Shanghai Municipal Police itself was in the process of being penetrated and taken over by the Japanese.

Japanese pressure upon the Shanghai Municipal Police to act decisively against Chinese resistance fighters commenced less than a month after Nandao fell.78 General Matsui insisted on staging a victory parade of 6,000 Japanese infantry, cavalry, artillery, and armored soldiers the length of Nanjing Road on December 3, 1937, French and British protests notwithstanding.79 Halfway along the march, at the corner of Nanjing and Guangxi Roads, a man stepped out of the crowd and lobbed a bomb into the procession, wounding three Japanese soldiers and two native constables. The assailant, a twenty-three-year-old native of Shandong named Sun Jinghao, was shot dead by a policeman.80

The parade continued but the Japanese authorities were deeply perturbed, and they took the Shanghai Municipal Council to task for failing to adopt more vigorous measures against Chinese terrorists.81 They also informed the Shanghai Municipal Council that they planned to assume policing duties in Western Shanghai.82 Consequently, on January 1, 1938, the Shanghai Municipal Council notified the populace of the International
Settlement that anyone committing a hostile act against members of a foreign force would be handed over to that military authority. Also, on January 4, after a meeting with Japanese military and consular representatives, the Shanghai Municipal Council announced a general shakeup in the Shanghai Municipal Police (where four senior British officers, including Commissioner F. W. Gerrard himself, were retiring that year), by which ten Japanese constables were promoted to sergeants, two Japanese sergeants to sub-inspectors, two Japanese sub-inspectors to inspectors, and Inspectors Suehiro Iwashita and Tokuiro Hirai to chief inspectors. In addition, a Japanese deputy commissioner would be appointed with status equal to his British counterpart; and the Shanghai Municipal Police would sometime in the future begin to hand captured anti-Japanese terrorists over to the Japanese Military Police.\footnote{83}

The Municipal Council had readily acceded to the demand that Japanese officers be promoted into the higher echelons of the police and that a Japanese be brought in from the outside for the second highest position in the department. But the Shanghai Municipal Police dragged its collective feet, procrastinating with the encouragement of British Consul General Sir Herbert Phillips.\footnote{84} Doubting the loyalty of the newly promoted Japanese inspectors, the Special Branch formulated elaborate new security rules (stamped, of course, “secret”) to prevent leakages.\footnote{85} Uncertain of the fate of suspected terrorists remanded to the Japanese Special Services Corps, the Special Branch declined to hand any of its prisoners over to the Japanese Military Police.\footnote{86}

On April 9 Consul General Hidaka Shinrokuro personally delivered a letter to Shanghai Municipal Council Chairman Cornell S. Franklin. Among other demands, the letter insisted that in addition to immediately appointing a special deputy commissioner with authority over the entire Japanese staff of the Shanghai Municipal Police, the Council also put a Japanese officer with the rank of assistant commissioner in charge of “C” Division (Hongkou, or “Little Tokyo”). Chairman Franklin complied, and within six weeks the Shanghai Municipal Police had a new special deputy commissioner: Akagi Chikayuki, the very epitome of an enlightened Japanese imperial police official. Akagi, who was forty-four years old, was born in Hiroshima prefecture and educated at Kyōto University. After graduation, he entered the Ministry of Home Affairs and became police superintendent of Shizuoka prefecture at the age of twenty-six. In April 1925 he was commissioned a sub-lieutenant in the Imperial Japanese Army, and two years later appointed chief of external police affairs for Hyogo prefecture (Kōbe). From there he went to Shanghai to serve as head of the Japanese consular police for six years (1928–1933), returned to Japan to be chief of police of Kochi prefecture, and in 1935
became head of the police section in the Ministry of Overseas Affairs. On May 20, 1938, after the initial reorganization of the Shanghai Municipal Police, he was formally appointed special deputy commissioner of the International Settlement police. Akagi would do much to dovetail the Shanghai Municipal Police’s antiterrorist activities with the aims of the Japanese consular police and Military Police until 1941, when he himself fell victim to Blue Shirt bullets during the apex of the assassination wave. As we shall see, political assassination soon became a way of life and death in Shanghai, where killing was in the air.