
The encirclement of Shanghai by the Communist arms on May 3, consequent on the Communist offensive across the Yangtse and the abandonment by the Nationalists of Nanking, was followed on May 8 by the launching of major offensive against Shanghai from several directions, the city eventually falling to the Communists on May 27 after heavy fighting.

During the first week of the offensive the Communists, attacking from the north-west and south-west, penetrated the Nationalist defence perimeter round Shanghai and captured Kating (15 miles N.W. of the city), Kashan (25 miles S.W.), and a number of other localities. By May 15 the Communists, having crossed the Whangpoo River south of the city, were striking from the south-east in the direction of Pootung (the eastern suburb of Shanghai), whilst at the same time other Communist forces, operating in the sector north-west of the city, were attacking heavily in the direction of Woosung (at the mouth of the Yangtse) with the objective of closing the garrison's last escape route by sea. The Nationalist garrison, however, put up particularly strong resistance to the attack on Woosung, repulsing heavy Communist assaults and claiming on May 22 to be holding its ground at all points on the city's outskirts. The Communists nevertheless continued to press their attacks with intensity, and on May 25 succeeded in entering Shanghai from the south-west, advancing through the former French Concession and seizing control of the southern and western districts. The main Nationalist force thereupon withdrew northwards to Woosung, whence a number of Nationalist troops were evacuated by sea (it was believed to Formosa), leaving rearguards along Soochow Creek, which divides the northern and southern sections of Shanghai. These rearguards were, however, dislodged by the Communists on May 26, and on the following day all Nationalist resistance in the city ceased, Shanghai passing completely under Communist control.

The Chinese Communist radio, announcing the “liberation” of Shanghai on May 28, stated that the Nationalist deputy commander (General Lin Chang-yi) had surrendered with 40,000 of his troops after the collapse of the Soochow Creek defence, line, that a Communist administration had been set up in the city headed by General Chen Yi (commander of the Communist Third. Field Army which captured Nanking), that Nationalist prisoners were being disarmed, and that the curfew restrictions imposed by the Nationalist Command during the siege of the city had been abolished, and all places of business and entertainment reopened. On May 30 the Communist authorities in Shanghai gave an assurance that foreign lives and property would be respected and-protected, gave a warning that any attempts by lawless elements to disturb public order would be severely punished, urged foreign nationals (of whom a number, Including British and American citizens, half remained in Shanghai and declined the facilities for evacuation offered during the siege) to carry on their normal business, and announced that the port of Shanghai remained open to foreign shipping (the Nationalists, prior to evacuating the city, had made ineffective attempts to block the port by sinking small vessels off the wharves). The Communist occupation of Shanghai was effected quietly and with discipline, and without any intimidation of, or interference with, Chinese or foreign nationals and property.

Outside the Shanghai area, the Communist armies made important advances over large areas of China, in many awes encountering little or no opposition, and by the end of August had driven southwards from the Yangtse to the borders of Kwangtung province, less than 200 miles from Canton, the Nationalist capital, capturing in these operations a number of important centres. Prior to the fall of Shanghai, the Communists had occupied the important Yangtse city of Hankow on May 16 after the Nationalist garrison had withdrawn without fighting, and on May 26 took the Chekiang port of Ningpo. Tsingtao, the last Nationalist “pocket” in North China, and until February 1949 a base for U.S. warships in Chinese waters, fell to the Communists without resistance on June 2 after the Nationalist garrison had been evacuated by sea.

In mid-July the Communists launched a major offensive south of the Yangtse along a front of some 500 miles, after extending their control of the Yangtse valley 200 miles upstream from Hankow and taking the river port of Ichang. The main Communist thrust was launched south of the Hankow area into Hunan and Kiangsi provinces, being directed towards the respective, provincial capitals of Changsha (centre of China's “rice bowl” area) and Nanchang. On Aug. 5 the loss of Changsha was admitted by the Nationalist military authorities in Canton and confirmed by Peking radio, which stated that the Nationalist commander, General Chen Ming-jen, had gone over to the Communists with his troops and surrendered Changsha without fighting. Whilst one group of Communist armies...
advanced southwards from Changsha down the Hankow-Canton railway towards Hengyang, the Communist forces operating in Kiangsi made deep penetrations into the province, by-passed Kanchow, were reported in mid-August to be attacking Nankang, 20 miles from the Kwangtung border, and at the end of the month were reported to have crossed into the latter province and to be operating about 195 miles north of Canton. While these operations were in progress, another Communist army group advanced into the coastal province of Fukien and on Aug. 17 obtained an important success by capturing the port of Foochow, the Provincial capital; the fall of Foochow left the Nationalist Government with Amoy as the Only important port outside Communist control north of Canton. Another important Communist success was obtained it the end of August in North-West China, where Lanchow, the capital of Kansu province, was captured on Aug. 28; Lanchow, an important commercial and administrative centre for the whole of N.W. China, and the last remaining Nationalist defence-point of importance in that area, had been defended by Chinese modern troops commanded by General Ma Pu-fang, who withdrew westwards from the town towards Chingshui province.

The Nationalist Government also announced its intention of bombing military objectives in Shanghai after that city had fallen to the Communists, the first raid on Shanghai being carried out by four heavy Liberator bombers on June 29. Though the objectives appeared to be oil installations and the marshalling yards near the North Station, the bombs well wide of the targets and caused heavy casualties in some of the poorest slum districts, reports from the city stating that over 250 civilians had been killed and some 300 wounded. On July 3–4 attacks were made against the Chonju wireless station in N.W. Shanghai, little damage and few casualties being caused. At the same time Nationalist planes dropped leaflets on Nanking warning the population that industrial installations in the city were liable to be attacked, and urging them to evacuate target areas and not to cooperator with the Communists.

The Nationalist Cabinet headed by General Ho Ying-chin tendered its resignation on May 30 to the acting President, General Li Tsung-jen who on June 2 called on Marshal Yen Hsi-shaft-(73), former; Governor of Shensi, to form a new administration. Marshal Yen, whose nomination was approved by the Legislative Yuan at Canton on June 3, announced his intention of forming a "non-partisan" Government, including both Kuomintang and non-party members, to prosecute the war against the Communists. After Marshal Yen had flown to Formosa for consultations with Marshal Chiang Kai-shek, the new Nationalist Cabinet was formed in Canton on June 11 with the following members:
• Marshal Yen His-slian, Premier and Defence Minister.
• Mr. Chu Chia-hua, -Deputy Premier.
• Dr. Hu Shih, Foreign Affairs.
• General Li Han-huen, Interior.
• Mr. Chen Chi-pun, Judicial Administration.
• Mr Hsu Kan, Finance.
• Mr. Liu Han-shin, Economics.
• Mr. Tuen. Mu-chi, Communications.
• Mr. Chan Ta Kwei-san, Overseas Affairs.
• Mr. Kwan Chi-tyu, Mongolian and Tibetan Affairs.

A number of Ministers without portfolio were also appointed, including member of the Kuomintang, Young, China, and Democratic socialist parties. Dr. Hu Shih, the orpiment scholar, was, at the time of the now Cabinet's formation, in the U.S.A., and was not known to have accepted the offer of the Foreign Affairs portfolio to while ho had been appointed in absentia. On taking office. Marshal Yen declared that the “full resources of the nation” Would be mistook to continue the straggle against Communism, and promised admonish truelove and Army reforms.

Marshal Chiang Kai-shek, General Li Tsung-jen, and a number of other Nationalist leaders issued a manifesto of July 6 reiterating the Nationalist Governments intention of carrying on the struggle against Communism “to the bitter end,” saying that China faced the greatest danger in her history, and declaring that a Communist China would be a menace to the peace of the world. On July 16 it was announced in Canton that a new organization, the Supreme Policy Council, had been set up as the highest policy-making body of the (Nationalist Government, replacing the, Kuomintang Central Political Council; the announcement stated that Marshal Chiang Kai-shek would be President of the new body and General Li Tsung-jen Vice-President, and that it would have its headquarters in Canton, with branches in Chungking and Formosa.

On July 10 Marshal Chiang Kai-shek, who had established his headquarters in Formosa, arrived in the Philippines by air for a meeting with President Quirino at Baguio. The discussions took place the same day, a communiqué being issued after the meeting which stated that the Philippines' President and Marshal Chiang were in agreement on the necessity for the countries of the Pacific and East Asia to collaborate against Communism, and on the desirability of a union of these countries “to contain and counteract the common threat.”

The communiqué, after stating that there had been a full discussion on “the Imperative need for the co-ordinated development of the Far Eastern countries in order to ensure their stability and security,” continued: “In view of the lack of close collaboration among them in the past, and considering the gravity of the Communist menace which confronts their freedom and independence to-day, we been it necessary that these countries should at once organize themselves into a union for the purpose of achieving solidarity and mutual assistance to contain and counteract that common threat. A preliminary conference of representatives of these countries desiring to participate in the formation of a union shall be convened at the early possible moment to devise concrete measures for its organization. It is our hope that other countries in Asia, and the Pacific will initially respond to the highest alms of the proposed union.”

Further discussions on the proposed Far Eastern union of anti-Communist countries took place on Aug. 7–8 at Chinhae Bay (South Korea) between Marshal Chiang and Dr. Syngman Rhee, President of the South Korean Government. A joint statement issued after the meeting said that agreement was reached on the necessity for the Far Eastern countries to combat, Communism “collectively as well as individually”, and that President Quirino would be asked to summon a conference wither view to the formation of an East Asian union for this purpose; the Communiqué said that Marshal Chiang and President Rhee were “strongly of opinion that the countries of the Pacific in general, and of the Far Eastern countries in particular, are facing a greater danger from international Communism to-day than any other part of the world.”

Mao Tse-tung, the Chinese Communist leader, made a pronouncement on Chinese Communist policy in an address on June 19 to the People's Political Conference in Peking.

In this statement he declared that Communist China was willing to establish diplomatic relations with any foreign country on the basis of equality, mutual benefit, and mutual respect for sovereignty and territorial integrity, provided that the foreign country is Willing to sever its relations with Chinese reactionaries, that it will not give further, assistance to them, and that it will adopt a truly friendly attitude to the people of China.” At the some time he announced the forthcoming formation of a “Chinese People's Democratic Republic” which would elect a coalition Government, attack that this Government would include representatives of all democratic “parties, minorities, and Chinese overseas; and listed the primary functions of such a Government as the liquidation of “reactionary elements” and the revival and development of China's economy.

In an article written at the beginning of July to commemorate the 28th anniversary of the Chinese Communist Party, Mao Tse-tung declared that China new formed part of the “anti-imperialist front” led by the Soviet Union, but at the same time pointed out that if China were to become an industrialized and economically dependent nation it would be necessary for her to trade with the West. The Chinese Communist Party, no added, had two guiding principles (1) the unification within the nation of the four categories of workers,
fanners, small capitalists, and “liberal” capitalists, all of whom would be accorded full “democratic rights,” and the suppression of all “reactionary” elements, including the “imperialist forces” and their “Kuomintang-running dogs”, landowners, and bureaucratic capitalists; (2) the strengthening of the “united international front” with the Soviet Union, the “People's Democracies,” and the masses of all nations.

A manifesto issued by the Chinese Communist Party on June 7, the 12th anniversary of the opening of the Sino-Japanese war, listed the following points: (1) the early signing of a peace treaty with Japan based on the Potsdam Agreement; (2) the demilitarization and democratization of Japan; (3) the establishment of a “joint front” by the Chinese and Japanese peoples to oppose a prolonged American occupation of Japan; (4) full support for the Sino-Soviet treaty; (5) the Joint defence of the Far East by the U.S.S.R. and Communist China, against all “aggressors.” In the internal sphere the manifesto called for the withdrawal of all “imperialist and aggressive” influences from China, invited “patriots” within the Kuomintang to join the “popular front”, and expressed the determination of the “People's Liberation Army” to fight its way into Formosa, “liberate” the people of that island, and capture Marshal Chiang Kai-shek alive.

Reports from Canton during August indicated that, with the advance of the Communist armies into South China, the Nationalist Government were making preparations to leave the city and establish its headquarters at Ch'ungking, the wartime capital, and that official archives were already being transferred to the latter city. It was, however, reported that Formosa, containing Marshal Chiang Kai-shek's H.Q., strong forces of Nationalist troops, and the principal bases of the Nationalist air and naval forces, would continue to be the chief centre of Nationalist resistance.—(Times - Manchester Guardian - New York Times - New York Herald Tribune) (Prev. rep. China, 9957 A; H.M.S. Amethyst 10137 A.)

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