

American Gold in Post- Second World War Taiwan

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The Forgotten Free China

By

Wu Sing-yung

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TABLE OF CONTENTS

Foreword	xi
Chapter 1	1
American Gold at Calcutta and Over the Hump	
1-1: The Gold route over the Hump.....	1
1-2: Xufu (Yibin), the Chinese wartime vault of gold	8
1-3: T.V. Soong's futile effort to fight inflation - by selling the U.S. gold.....	13
1-4: Chiang Kai-shek stopped the senseless selling of the U.S. gold..	18
1-5: The rapid failure of the new currency Jin Yuan Quan (JYQ) issued in August 1948	19
Chapter 2	23
The U.S. Gold: The Delay in Delivery	
2-1: Most of the Chinese gold in the Treasury Vault after WWII was from the U.S.	23
2-2: The worsening of inflation in China after the promised gold	25
2-3: The delayed delivery of the U.S. gold to China.....	29
2-4: The Americans' record on the gold-aid to China	32
Chapter 3	34
The Communist Sympathizers in America Helped Mao to Seize Chinese Mainland	
3-1: Mao Zedong stole a victory from Chiang Kai-shek after the V-J Day	34
3-2: Simple math explains why Mao was determined to use a bloody land-reform to seize power.....	38
3-3: Mao Zedong's bloody land-reform.....	40
3-4: General George C. Marshall's mission to China	42
3-5: The PLA received steady military supplies from the Soviet Union and North Korea, 1945-1949	44
3-6: Three major battles in the Chinese Civil War, 1947-1949	47
3-7: Chiang Kai-shek's 'Grand Strategy'	49
3-8: Historical friendship between China and the U.S.	53
3-9: A crucial element of Chiang's 'Grand Strategy' - the gold reserve from Shanghai.....	58

Chapter 4	62
The Secret Transfer of the Gold Reserve Out of Shanghai	
4-1: The first shipment of gold to Taiwan from Shanghai Wai-Tang (The Bund)	62
4-2: The second shipment of gold out of Shanghai.....	64
4-3: Haixing, a 500-ton U.S. naval net-layer, ‘saved’ Taiwan.....	69
4-4: Gold yuan certificate (Jin Yuan Quan, JYQ) lost its gold reserve	71
Chapter 5	76
The Advanced Military Expenditure	
5-1: In January 1949, Chiang Kai-shek steps down from the Presidency of the Republic of China	76
5-2: The signing of the “Agreement on Advanced Military Funding” ..	77
5-3: The Central Bank transfers one quarter of gold reserve to the Chief of Military Finance Department as the expenditure advanced.....	79
5-4: Lieutenant Colonel Zhan Tefang handled the advanced military gold expenditures	86
5-5: Where did the military gold in Xiamen come from?	94
5-6: A 3-ton-gold mystery in Xiamen.....	95
5-7: The advanced military gold was important to preserve a Free China in Taiwan	99
Chapter 6	105
Shanghai Under Siege in 1949	
6-1: The U.S. politicians enjoy performing new political experiments	105
6-2: The Gui faction was quickly dumped by American politicians.	108
6-3: Corruption in Nationalist China was greatly exaggerated by the smart Communist propaganda.....	110
6-4: Wartime Shanghai from an elementary student’s view	115
6-5: A dangerous moment was rapidly approaching.....	118
6-6: The tragic death of Huang Jinwu – shaping the outcome of the Civil War	121
6-7: An “incidental” visit of a father altered his son’s life profoundly	123
6-8: An LSM took the last shipment of gold from Shanghai	129

Chapter 7	136
The Mystery on Treasure Island – Gulangyu	
7-1: A UNESCO world heritage site – Gulangyu	136
7-2: The island with tons of missing gold mystery!	139
7-3: The original gold vault was the only building demolished.....	142
7-4: My fate was connected to the gold treasure on Gulangyu	147
7-5: Chiang’s plan to build a downsized “free China”.....	149
7-6: Two new currencies in the Summer of 1949 to reduce gold spending	155
Chapter 8	162
The Sad Choice of Chinese Intellectuals	
8-1: Dr. Li Zhisui, the author of The Private Life of Chairman Mao and his mysterious sudden death	162
8-2: “There will be no freedom for individuals who want to keep their silence” under Communist rule - Hu Shih, the Former President of Peking University	168
8-3: Faust making a deal with the Devil: Chinese intellectuals turned to Mao	169
8-4: The loss of innocent lives in the first three decades of Chinese Communist rule.....	171
8-5: Chairman Mao’s killing quotas and his mental state	175
8-6: Exiles in Los Angeles after Tian-an-men Massacre in 1989	177
8-7: Wuhan’s intellectuals after liberation	182
8-8: The tragic life of Professor Zhang Zigong, General Wu’s college classmate.....	188
8-9: If Lu Xun were alive under Mao’s China	191
8-10: Chinese laobaixing will NOT support a military takeover of Taiwan under the rule of the Republic of China or Free China – the security issue of Taiwan	194
Chapter 9	197
Generalissimo Chiang Kai-Shek Tricked Mao Zedong	
9-1: Generalissimo Chiang tried to accomplish an impossible mission	197
9-2: The People’s Liberation Army had five major field army corps	200
9-3: A crucial strategic plan: Mao Zedong’s “523 Instruction” in Civil War.....	208
9-4: Mao confessed he has made an irreparable mistake with Taiwan.....	213

9-5: Mao failed to take advantage of Chiang's most dire weakness – the military budget crisis	216
Chapter 10	219
The Communists' Next Target in Early 1950: Taiwan or South Korea?	
10-1: What if Mao had conquered Taiwan in 1950-1951?	219
10-2: "The Korean Peninsula is close to a boiling point" - Ambassador Shao	224
10-3: President Truman ordered "the 7th Fleet to prevent any attack on Formosa"	228
10-4: Chiang Kai-shek's last-ditch effort on the mainland	231
Chapter 11	235
The Final Piece of the Gold Puzzle on Gulangyu	
11-1: Two three-ton gold puzzles on Gulangyu.....	235
11-2: A book on Gulangyu revealed new clues	237
11-3: A Chiropractor's astonishing revelation	242
11-4: Gui Troops were fighting in the mountain range of Shiwan after 1949 – any covert fund?.....	247
11-5: T.V. Soong and the missing gold on Gulangyu.....	254
Chapter 12	258
The Gold Expenditure under the Strict Control of Chiang Kai-Shek	
12-1: The Ministry of Finance borrowed gold from the Military Finance Department	258
12-2: Chiang did not want to use gold to support Gui troops	261
12-3: General Ho Shai-lai "stole" the gold from the Military Finance	268
12-4: Military secret gold documents were finally declassified in the new millennium.....	273
Chapter 13	277
Military Food Supply Determined the Outcome of the Civil War	
13-1: Food Crisis in the Nationalist Army	277
13-2: Urgent calls for military provisions in May and June, 1949....	284
13-3: The Nationalist Army purchased rice from Indo-China	287
13-4: Food supply was a lethal weakness for the Nationalist Army ...	290
13-5: How did the PLA supply its military provision?	296

Chapter 14	304
The Communists Infiltrated the Nationalist Central Bank	
14-1: Gold shipped to Chongqing: Chinese Communists infiltrated the Central Bank.....	304
14-2: The Central Bank in Chongqing tried to hide the gold from the army.....	309
14-3: General Wu Songqing volunteered to deliver the combat pay to the frontline soldiers.....	316
14-4: Yang Sen, a polygamous warlord.....	322
14-5: After the bizarre encounter with Yang Sen	328
14-6: Generalissimo was furious at Yang Sen's rude behavior toward General Wu	331
Chapter 15	336
The Expenditure of the U.S. Gold in China	
15-1: The Summary of the expenditure of the U.S. gold in China....	336
15-2: Premier T. V. Soong mismanaged China's Economy after WWII.....	343
15-3: "Xian Incident" and its serious consequences for China	349
15-4: "I owe an apology to General Zhang Xue-ling." - Madam Chiang Soong Mei-ling's last words at age 106.....	353
Chapter 16	359
The Impact of the U.S. Gold on Free China	
16-1: The Chinese gold reserve supported the New Taiwan Currency (NTC)	359
16-2: The U.S. State Department and CIA predicted Taiwan would be conquered by Mao before the summer of 1950	364
16-3: Stalin, Mao and the Korean War	368
16-4: Free China's success with peaceful land reform and industrialization in Taiwan	372
16-5: An aborted coup by a Nationalist general.....	377
16-6: The U.S. gold remained in Taiwan.....	382
Chapter 17	387
Free China's Future Mission	
17-1: The retreat of the Republic of China to Taiwan	387
17-2: American friends in need.....	390
17-3: The U.S. resumed military aid to Free China after the outbreak of the Korean War	393
17-4: The People's Republic of China is a dictatorship.....	398
17-5: The future mission of Free China	406

Appendix I.....	416
References	
Appendix II.....	429
Major Events during the Chinese Civil War: From August 1945 to December 1950	
Index of Names.....	449

FOREWORD

This book encapsulates the author's extensive research spanning over 20 years, supplemented by insights gleaned from his father's diaries. These diaries chronicle his father's remarkable involvement in the 'saga' of the gold housed in the National Vault in Shanghai, which was subsequently transported to Taiwan and Xiamen between 1948 and 1949 amidst the Civil War. Remarkably, over 80% of this gold originated from the United States and was intended to stabilize the Chinese National Currency, the Fabi (法幣), during the wartime period of 1937-1945.

The narrative draws readers' attention to historical realities and the numerous close calls that ultimately facilitated the establishment of present-day Free China, the Republic of China, headquartered in Taiwan. The flourishing of Free China serves as a pivotal milestone in the resistance against communist rule on mainland China. It stands as a beacon of hope for democracy, freedom, and the preservation of traditional Chinese culture and language, which continue to thrive on Taiwan today.

The Japanese Imperial Army's invasion of China marked the onset of a grueling 14-year period from 1931 to 1945. Hungry for change, the populace endured drastic upheavals during this era. The author, a witness to these tumultuous times, offers candid reflections on historical events and facts. General Wu's legacy comprises a collection of 44 diaries spanning over four decades. Dr. Wu, the author, meticulously documents the movement of gold with the precision of an accountant, delving into the historical intricacies surrounding the shipment of millions of troy ounces to Taiwan and Xiamen before and after 1949.

Transitioning from a survivor of the Chinese Civil War to a physician and medical professor in the United States, the author recounts the historical significance of the American gift of gold with heartfelt gratitude.

Since 2008, the declassification of original files by both archives in mainland and Taiwan, including the Taipei Academia Historica (Guo-shi-guan, 國史館) and The Second Historical Archives in Nanjing (Er-dang-guan, 二檔館), has allowed for the verification of previously estimated gold accountings described in this book. Additionally, the public release of Chiang Kai-shek's diary from the Civil War period by Stanford University in 2008 offers vital historical context. Consequently, the book *Huang Jin Mi Dang (The Secret Archives on Gold Transfer)* 《黃金秘檔 - 一九四九大陸黃金運台始末》 was published in simplified Chinese characters in 2009 in Nanjing, the former capital of the Nationalist Government.

Over the past decade, this book has captivated numerous readers, sparking a wave of interest that led to further accounts of the events it depicts. These fresh insights were incorporated into a subsequent publication, enriching the narrative of the "gold saga." Thus, in 2013, *The Gold Story* 《黃金往事》 was released in traditional Chinese in Taipei. Following suit, *General Wu's Wartime Diary on the Military Gold Expenditure for the Nationalist Army*, completed with the author's commentary 《吴嵩庆战时军费日记, 1948 – 1950》, was published in simplified Chinese in Beijing in 2019. Notably, in the annotations accompanying the *Wartime Diary*, the author incorporated recently declassified files on military gold expenditure during the Civil War Period, sourced from the Taipei Presidential Palace. Remarkably, these invaluable archives, long presumed lost during the tumult of war, have resurfaced to illuminate our understanding of historical events.

As a medical research scientist turned amateur historian, the author approached historical inquiry with the same fervor and precision as a

seasoned investigator. His goal was to uncover and present historical truths methodically and expeditiously. With a keen eye for evidence, he sought to galvanize professional historians and enthusiasts alike to contribute their research and narratives, aiming to systematically trace the trajectory of the gold reserve during World War II, which predominantly flowed from the U.S. to Calcutta, then to Chongqing, and eventually to the Shanghai National Vault before its relocation to Taipei and Xiamen in 1948-1949. He envisions this comprehensive narrative, dubbed the 'gold saga,' to be unveiled to the world with utmost fidelity to the truth and utmost clarity achievable.

Within two months of the Japanese attack on Pearl Harbor, the U.S. House and Senate swiftly approved a new loan of \$500 million to aid China. Just over a year later, Madame Soong Mei-ling, wife of Chiang Kai-shek, embarked on a crucial visit to Washington. During her meeting with President Franklin D. Roosevelt at the White House, they reached a pivotal decision: to utilize \$220 million from the aforementioned loan to 'purchase' 6.28 million ounces of gold. This gold was earmarked for shipment to China with the aim of stabilizing the Fabi currency. This landmark decision marked a significant step forward in the burgeoning alliance between China and the United States, united in their fight against the common Axis foes. Regrettably, historical records reveal troubling instances of attempted theft of this gold by individuals within both American and Chinese official circles. Despite these instances of corruption and bureaucratic delays within the U.S. Treasury Department, the gold shipments to China commenced. They stood as a tangible symbol of the genuine friendship and solidarity of the American people towards their Chinese allies.

Following the ill-advised decision by then-Prime Minister T.V. Soong to 'sell' gold totaling 4.21 million ounces between 1944 and 1947 in a futile attempt to combat inflation, approximately 2.07 million ounces of U.S.-

aided gold remained in the Nationalist Treasury by 1948. This reserve was supplemented by over one million ounces of gold acquired after the issuance of the Jin-yuan-quan (JYQ) currency in August 1948, aimed at replacing the faltering Fabi. Additionally, gold originally deposited in the National Treasury of the Central Bank from various domestic sources contributed to the aggregate, resulting in close to four million ounces of gold being shipped out of Shanghai to Taiwan and Xiamen.

Unfortunately, the JYQ rapidly plummeted to virtual worthlessness within nine months, largely due to the exorbitant costs incurred during the Civil War. This occurred prior to the Chinese Communist takeover of Shanghai in May 1949.

Roughly a third of the total gold reserve was allocated for military and administrative expenditures on the mainland during the latter stages of the Civil War in 1949, prompted by the devaluation of the JYQ currency. The remaining two-thirds, amounting to three million ounces, were earmarked for use in Taiwan to stabilize the currency and bolster the economy. Following the allocation of funds for administrative and military needs, primarily overseen by General Wu, one million ounces of the gold transported from Shanghai served as a gold reserve to stabilize the New Taiwan Currency. This reserve remains securely housed in the Taipei National Vault to this day. Approximately one-fifth of this gold reserve originated from the United States, totaling an estimated 200,000 ounces. According to the author's calculations, this portion of the gold reserve was initially shipped to Chongqing, the wartime capital of the Republic of China, then transferred to Shanghai after V-J Day, before finding its final resting place in Taipei. It is noteworthy that this reserve is supplemented by more than 12 million ounces 'purchased' from the U.S. between 1981 and 1989, aimed at balancing the trade deficit.

The relocation of the National Vault, along with its substantial reserves of gold and silver, from Shanghai to Taiwan stood as a pivotal element of Generalissimo Chiang Kai-shek's overarching 'Grand Strategy' to establish a democratic and constitutional Free China on the island. Approximately one million ounces of gold, alongside nearly 100 million silver dollars, were expended on the mainland from April to December of 1949, sustaining the ongoing struggle against Communist forces. Chiang's strategic vision involved utilizing military expenditures, alongside a limited supply of gold and silver, to support a relatively small contingent of Nationalist troops. Their mission was to divert a significant portion of the People's Liberation Army (PLA) away from the Taiwan Strait and towards the deep southwest region. The delicate, perilous, and indispensable orchestration of this mission fell to Dr. Wu's father, who played a pivotal role in supplying essential troops and facilitating the movement of gold and silver.

Chiang's maneuver effectively outmaneuvered Mao Zedong, buying crucial time for Taiwan to undertake vital measures aimed at stabilizing the Nationalist regime on the island. These measures included regrouping retreating soldiers, rooting out undercover Communist infiltrators, initiating peaceful land reform, and providing assistance to a million new refugees. Financial resources also contributed to securing notable victories in defending the offshore islands of Kinmen and Dengbu in late October and early November 1949. These victories, coupled with the substantial remaining reserves of gold in Taiwan, significantly bolstered the wartime economy of the Nationalist regime on the island prior to the outbreak of the Korean War.

The role Taiwan will play in the future of China and its people is a question of profound significance, one that motivates the author's decision to pen this book. The author firmly believes that Taiwan will occupy a pivotal position in shaping China's trajectory moving forward. This belief

stems from Taiwan's historical significance, particularly in light of the goodwill embodied by the American people's gift of gold, as well as its steadfast commitment to a government founded on democratic principles — one that is truly "of the people, by the people, and for the people." Moreover, Taiwan's preservation and reverence for its rich traditional Chinese culture further underscore its potential impact on China's future. In essence, the author views Taiwan as a beacon of democratic values and cultural heritage that has the potential to influence and inspire China's evolution in the years to come.

The author holds a profound conviction that the ordinary mainland Chinese, the Laobaixin, yearn for the return of the Republic of China and the reunification of a Greater Free China in the near future. They aspire for the restoration of the first democratic republic in Asia, established in 1911, as the legitimate Chinese government. This desire stems from various grievances accumulated over decades under Communist rule, including the loss of millions of innocent lives, oppressive indoctrination, the erosion of family and traditional values, and the deprivation of fundamental freedoms such as speech, religion, internet access, privacy, and opportunity. Notably, the perpetuation of a communist dictatorship, prioritizing Party interests over national welfare, further exacerbates their longing for change. After enduring seven decades of Communist rule, the Laobaixin crave change in alignment with universal human values of freedom, democracy, and human rights, as well as a deep-seated love for traditional Chinese culture. This sentiment resonates with the author's father, who shares the aspiration to see the success of the democratic system serving the people and upholding true traditional Chinese values in Taiwan, known as Free China. The author envisions that the successful experience of Taiwan will serve as a beacon of hope, eventually extending its influence to encompass the entirety of the Chinese mainland. Perhaps, within the 'gold secret,' lies the ultimate

significance: the realization of this collective aspiration for freedom, democracy, and cultural preservation across all of China.

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* Dr. Yvonne Wu is the beloved wife of the author.

CHAPTER 1

AMERICAN GOLD AT CALCUTTA AND OVER THE HUMP

1-1: The Gold route over the Hump

A massive amount of U.S. gold, currently valued at over 11 billion dollars, was delivered to China between 1943 and 1945 through “the Hump.” The impact of this gold on China and the global geopolitical landscape continues to be experienced in the present day.



Fig. 1-1: The fly route of the “Hump”. On a clear day, the pilot could fly by following the reflection of the falling planes, “the aluminum trail or valley”.

‘The Hump’ (Fig. 1-1) was the nickname Allied pilots gave to the airlift operation that crossed the Himalayan foothills into China. It was the Army Air Force and civilian airline’s most dangerous airlift route, but it was the only way to supply Chinese forces that were fighting Japan during WWII. Apart from the inefficiency of flying the Hump, it was also incredibly dangerous. More than 1,500 men and 563 U.S. planes (and 48 planes from Chinese Civilian Airlines) were lost over the 530-mile stretch of rugged terrain. It was called the “aluminum trail or valley” for the number of planes that didn't make it [52, 61].

An auspicious discovery has emerged from the pages of “*Himalayan Rogue, A Pilot’s Odyssey*,” an autobiography penned by Peter J. Goutiere. (Fig. 1-2), a CNAC (China National Aviation Corporation) airline pilot who recalled the “gold flights” over the “Hump” (Figs. 1-3 and 1-4) “for Chiang Kai-shek after the Japs had surrendered to MacArthur.” Captain Goutiere writes [29]:

“We started a lot of flights into Chungking (Chongqing). The U.S. had promised a great deal of financial aid to Generalissimo, which Generalissimo wanted in gold bullion. A few of us were chosen to fly the precious cargo across to Chungking. We did this for a week. The bullion was in little barrels (Fig. 1-2) like beer; armed guards around the planes, in Assam, and in Calcutta (Kolkata today’s name). We were given graphs to give our position every thirty minutes. When the gold was delivered to China, there was quite a contrast in the security. In India, as compared to the security at Chungking (Chiulungpo Airport, Fig. 1-5), we did not carry the cargo into the airport. On the island of Sanhupa; the airport was too small, and C-46s normally could not make it. So at this (Chiulungpo) airport, which was now a military base, the coolies just rolled the barrels off and dropped them onto tires below. There they would put them on a truck and drive off; no security, nothing. ...”



Fig. 1-2: (Left panel) The barrels of gold shown in the of Bank of Taiwan Vault in Taipei in 1950 after shipping from Shanghai. (Right Panel) In 2019, the Pan Am Museum Foundation honors CNAC Captain Peter J. Goutiere at age 104.



Fig. 1-3: Air route from Calcutta to Chongqing and Kunming via the 'Hump' (the dark blue line).

Captain Goutiere unwittingly unveiled a major event in modern Chinese history, one that has had a lasting impact on the geopolitical landscape of Southeast Asia and the world at large. The critical moment involving the U.S. gold shipment for 'Chiang Kai-shek after the Japanese had surrendered to MacArthur' was far from the straightforward account Captain Goutiere presented. It wasn't just a matter of the U.S. pledging substantial financial aid to Generalissimo, which he specifically desired in gold bullion.

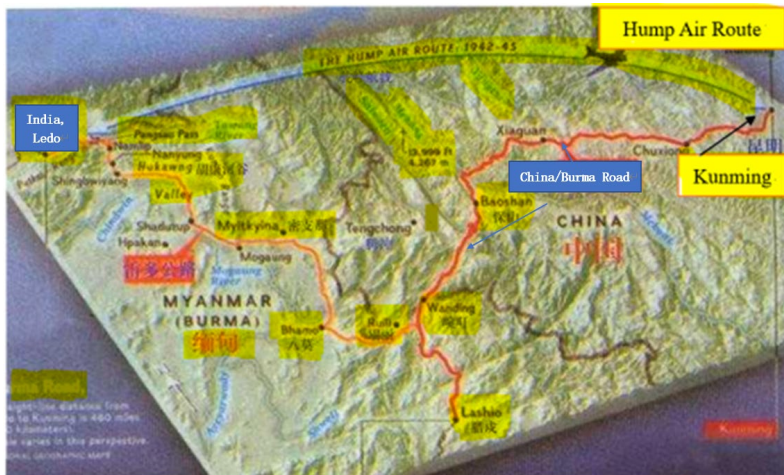


Fig.1-4: The Hump air route for transporting gold from India (Calcutta and Ledo) to Kunming, [and then Chungking (Chongqing)] via the “Hump” (the **blue** line) in the Fall of 1945 after V-J Day. The American gold was later shipped to Shanghai and other major cities.

The gift of U.S. gold to China and its enduring influence on the contemporary world were the results of a complex historical event. This saga, far from concluded, continues to unfold. In this book, we aim to present the entirety of this captivating 'Gold Saga' to our readers.

During World War II, Calcutta played a crucial role as a vital aerial and land supply route to China for the Allied forces. To reach China and support the war effort against Japan, supplies had to traverse the formidable Himalayas. At that time, Burma, now Myanmar, was under Japanese occupation (Fig. 1-4). As Japanese aggression spread across Southeast Asia following the 'Pearl Harbor Incident', their next air-raid target was the city of Calcutta due to its strategic proximity to Burma in the Eastern region of India (Fig. 1- 3)

The 'City of Joy' (Calcutta) endured bombings for a number of days, commencing on December 20, 1942, and continuing into 1943. Sporadic Japanese attacks persisted in Calcutta until mid-1944 when Allied air defense strengthened. The Japanese aimed to sever the Allied supply lines to China. This strategic port city served as a crucial entry point for most shipments from the U.S. destined for China. From Calcutta, these supplies were either transported by railway up to the Assam border or airlifted to Chongqing or Kunming. Interestingly, this route also served as a conduit for gold destined for China.

In regards to the limited shipment of gold from the U.S. to China between 1943 and 1944, it is plausible that the Japanese air raids on Calcutta played a significant role. However, it is important to note that this alone cannot serve as a justification for the delay in the shipments. This is because the Japanese air raids ceased entirely around June 1944, yet the resumption of active gold release did not commence until October 1944 (as indicated in Table 1-1). [66].

About the airports in Chongqing that Captain Goutiere mentioned I can add a little note from my personal observation. I was in Chungking (Chongqing) from 1943 to 1946. Our rented house, shared with several families, was not far away from the Yangtze River. Through the eyes of a six-year-old kid, I enjoyed seeing the planes taking off and landing at Sanhupa Airport which was on the small island in the middle of the Yangtze River (Fig. 1-5). My last view of the airport was in the summer of 1945 when a big flood submerged the island. I witnessed a lifeless cow being carried away by the relentless waves.

In an interview published in 2019 in Taipei, Captain Goutiere [22, volume 114, June issue, p. 4-25], aged 104, tells of a group of six to seven C-46 transport planes being involved in the mission of gold transport after WWII. With the capacity of four metric tons for each C-46, the amount of

U.S. gold transported would suggest he was referring to the shipments listed in *White Paper (on China)*, No. 3-5 in Table 1-1, about 160 metric tons or 5.2 million ozt.[66].

Table 1-1: “The China White Paper” 1949[66, 470-71]: Time and Amount of U.S. Gold transferred to China:

No.	Time (M/D/Year)	The USD Amount	Gold in Ozt* (\$35 USD/Ozt)	Metric Tons	Percent
1	2/ 1/1943	20,000,000	571,428	17.77	9.05%
2	10/13/1944	20,000,000	571,428	17.77	9.05%
3	5/ 22/1945	60,000,000	1,714,286	53.32	27.3%
4	6/12/1945	60,000,000	1,714,286	53.32	27.3%
5	7/27/1945	60,000,000	1,714,286	53.32	27.3%
1-5	Total	220,000,000	6,285,714	195.5	100%

*Ozt is the abbreviation for Troy Ounce, which is equivalent to 31.10 grams, significantly heavier than the standard ounce (28.35 grams). This is due to the close similarity between the Troy Ounce and the Chinese tael (shi-liang), which weighs 31.25 grams. For the sake of convenience, we use ozt to represent both the troy ounce and the shi-liang (tael).

Based on Captain Goutiere’s vivid recollection, it appears clear that over 80% of the gold (a total of 6.255 million Shi-liang, or 6.28 million troy ounces, promised by President Roosevelt in June 1943, Table 1-2) did not reach China until the “War of Resistance” was over.

At its zenith, the Chinese Central Bank held just over 7 million troy ounces (ozt) of gold in its reserves, with nearly 90% originating from the United States (refer to Table 1-2).

Table 1-2: The Peak Amount of Gold Reserve in the Chinese Central Bank after WWII (in Shi-liang* or Tael), based on Document No. Ji-105, in the Main Office of the Central Bank of China, Table 1-3, #3) [113, p.105, an update]

The Source of Gold	Location	Unit (Shi-liang)
Gold shipped from Abroad (99.6% of total purchase)	U.S.A.	6,228,317
Left in U.S. (0.4% of total purchase)	Federal Reserve Bank of New York	26,595
From Tianjing	Chinese United Reserve Bank (Puppet regime)	184,778
Jiangsu, Zhejiang, Anhui	Chinese Central Reserve Bank (Puppet regime)	495,007
Dihua (Urumqi) (Plus gold coins etc.)	Province of Xinjiang	51,015
	Total	6,985,712 (tael)

* 1 tael, Shi-liang = 1.005 troy ounce, ozt. (or Total = 7.02 million ozt.)

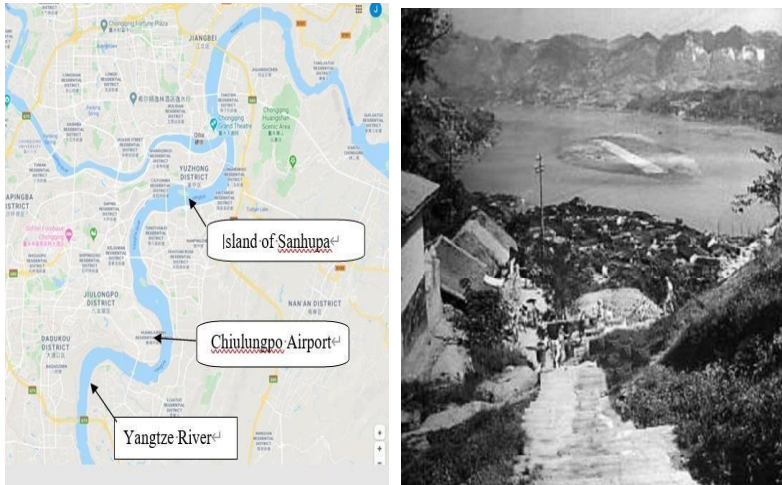


Fig. 1-5: Chungking (Chongqing): The locations of two airports, Sanhupa (the right panel showing the 1650 feet long runway in the middle of Yangtze River) and Chiulungpo (Jiulongpo) Airport, described by Peter J. Goutiere [29].

1-2: Xufu (Yibin), the Chinese wartime vault of gold

In modern Chinese history, one may ask questions like: how was U.S. gold shipped to China? To which city in China? And then where was the gold stored, and why? Information about these questions has been lacking. I have spent some time searching for answers over the past two decades. Here is what I found.

One of the reliable clues I found was in a classified and secret cable message that Mr. Shen Zutong sent to Guo Jinkun on November 26, 1943, which can be found in the “*Archives on the Central Bank*” edited by Mr. Hong Jiaguan (Table 1-3, #3) [31]:

“To Director Guo: The tenth batch of gold that is marked as ten barrels, (CBC) 91-100, with a total weight of 2140 lb., arrived last night. It has been

logged in and will be transported to Xufu tomorrow morning by CNAC. I respectfully present to you this confidential message.”

Table 1-3: Sources of Declassified Official Documents on Gold Reserve:

Sources	The Official Name	Other Names	Note
# 1 [1]	Academia Historica (The National Archives of the Republic of China)	Daxi Archives; Jiang Zhongzheng (Chiang Kai-shek) Archives	Taipei
#2 [12]	The Second Historical Archives of China	(October 1911 – September 1949)	Nanjing
#3 [30]	The Archives of Central Bank	The Archive of Central Bank 1928 to May 1949. (Published in 2005) (from #2)	Edited by Mr. Hong Jiaguan, Shanghai
#4 [68]	The Presidential Archives, Republic of China	Covers communications to and from Chiang Kai-shek's during the period of January 1949 to March 1950 on military expenditure	Taipei

Here let's de-cipher this brief cable message. Mr. Shen was a high executive in the Central Bank in Chongqing and was the cousin of Liu Gongyun, who later assumed the position as Director of the Central Bank and Minister of Finance in the first five months of 1949. Mr. Shen was subsequently assigned to Taipei as the representative of the Central Bank in charge of the gold shipped to Taiwan.

Strangely enough, prior to his tenure at the Central Bank, Shen served as a personal secretary to General Zhang Xueliang (1901-2001). General

Zhang gained notoriety for his role in the “Xian Incident” of December 1936, during which he kidnapped Chiang Kai-shek, a pivotal event in modern Chinese history (further detailed in Chapter 15). Following this incident, Zhang remained under house arrest and later continued to be confined in Taiwan, under the custody of Governor Chen Cheng. Chen, a self-assured general, incidentally, had also been abducted by Zhang in Xian alongside Chiang Kai-shek.

It might raise questions as to why the Central Bank would appoint Shen to oversee the gold in Taipei. Indeed, Governor Chen possessed a remarkable knack for turning allies into adversaries. How could he possibly accept Mr. Shen, who had served as the trusted secretary of Zhang Xueliang? Chen's discontent went beyond just lobbying Chiang Kai-shek to have Shen removed from the Central Bank. He went so far as to fabricate charges of 'jobbery' against Shen, ultimately banishing him from Taiwan for good at the beginning of 1950. As a result, Shen eventually settled in Thailand.

Director Guo Jinkun held the position of overseeing the Bureau of Business Operation within the Central Bank. Approximately a year and a half following this cable message, Director Guo was discovered to have engaged in corrupt practices involving the “sale” of gold in 1945. Allegedly, he was found to have unlawfully acquired over 10,000 troy ounces of gold on the night preceding a price surge—from 20,000 yuan to 35,000 yuan (Fabi) per oz. As a consequence, Guo was promptly dismissed from his role at the Central Bank. It is disheartening to witness such turmoil within the Central Bank under the leadership of Premier T.V. Soong. Nonetheless, this cable serves as a crucial reminder of a place known as XuFu, the wartime gold vault's location. We have been fortunate to come across this vital piece of information.

During the war of resistance against Japan, the gold vault was situated in XuFu, also known as Yibin or the “wine capital,” a moniker it retains to

this day. Xufu is located approximately 150 miles southwest of Chongqing (see Fig. 1-6). The transportation of gold was facilitated by the China CNAC. This time, the shipment consisted of 10 barrels, weighing in at 2,140 pounds, nearly equivalent to a ton. In this context, one pound equates to 16 British ounces (with each British ounce weighing 28.35 grams, slightly less than the troy ounce of gold, which equals 31.10 grams). When converted, the weight of the gold amounted to 31,212 troy ounces (ozt), equivalent to nearly 78 gold bricks in this specific shipment (with each brick weighing 400 troy ounces).

This particular batch corresponds to the one listed in Table 1-1, originating from 1943. Notably, it took nine months for the shipment to reach China after the February 1943 date claimed in the China White Paper [65]. This batch, comprising 570,000 ounces, was still en route (at sea) towards the end of 1943, despite the White Paper's assertion that it had been delivered to China in February of that same year.

The decision to store the gold in Xufu instead of Chongqing was a strategic one, aimed at safeguarding it from Japanese bombings. Chongqing was subjected to relentless Japanese air raids throughout 1943. I can personally attest to this, as the air raids persisted until June 1944, at which point the Chinese Air Defense bolstered its capabilities with assistance from the United States. Our family relocated from Chengdu to Chongqing around November 1943. As a five-year-old child, I vividly recall the urgency of seeking refuge in an air raid shelter during the early part of 1944 in Chongqing. Even so, why else was Xufu chosen to store gold? In Chinese history, there has always been a 'gold vault legend' about Xufu. Some people actually went there to investigate, and these investigative expeditions have continued even in recent years.

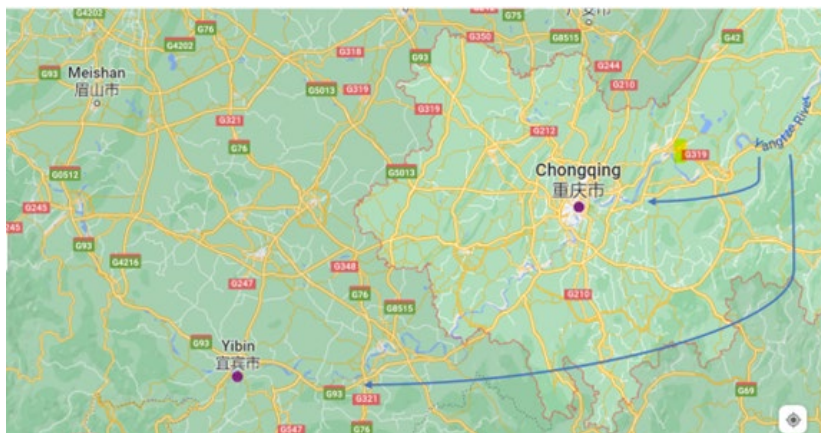


Fig. 1-6: The Yangtze River flows by Yibin (Xufu) and Chongqing.

The story goes that before the War of Resistance, the original Warlord, Liu Wenhui (1895-1976), had stationed his troops there. Liu himself is known as the ‘Golden King’, because Xufu had a long history of producing gold. Ren Naiqiang, a professor of Sichuan University, wrote an article about the ‘The Golden King, Liu Wenhui’ [59]:

“The local ‘Treasury Bureau’ was established in 1937. It supervised the collection of taxes on gold mining at the two locations in Lunda and Se-erxi. Together with some other small mining facilities, by the time of liberation in 1949, one million taels (shi-liang, one tael equals 1.005 troy ounce, oz) of gold had been produced from this Sichuan border area in the 15 years using the old-fashion mining technology”.

Since there was a large amount of gold produced in Xufu, it would not surprise anyone that a security vault was part of the facilities present there. But how the vault was managed—including the security arrangement, its administrative relationship with the Central Bank, etc.—was unknown. The official file regarding this matter remains to be uncovered.