

REMINISCENCES OF WELLINGTON KOO

Volume VII: Second Mission to Washington

Part C: The Mow Pang-ch'u - Chou Chih-jou Controversy: A Case History of Some of the Failings of Personal Politics

Section 1.

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On November 1948, General Sun Fong-shan, who was the head of the Air Force Office, gave me an official letter of introduction to the Chinese Air Force Office in Washington. He signed as its representative the representative of his government's part in the deal, as outlined by the CIA's representative to the Central Board of Investigation, in order not to fall into the trap originally set by the State Department's Bureau of Military Affairs.

Part C: THE MOW PANG-CH'U - CHOU CHIH-JOU CONTROVERSY AND PERSONAL-STYL
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to see him. Therefore, Mow gave all the facts to Madame Chiang for the Generalissimo's information.

Later Chou did see him, but left the study of the facts he presented to subordinates and instead pressed for Colonel Hsiang's return as ordered by the Defense Ministry in his (Chou's) name, telling Mow that it was within his authority to recall Hsiang for duty. But he told Chou that he would like to consider the effect of Hsiang's return to the United States government, especially the Commerce and State Departments, first, lest the recall be taken as punishment for Hsiang's honest statements to the Americans regarding the cases in question.

It was evident to me that Chou and Mow simply did not see eye-to-eye and could not agree. But Mow said he himself had been careful to avoid any suspicion that his trip to Formosa was for making a complaint against General Chou. Therefore, he said, he had not gone down to Kangshan, the headquarters of the Chinese air force, to see the Air Force Headquarters people.

[From Mow's report, it was all too apparent wherein the difficulty lay.] Both Generals Mow and Chou were high-ranking officers of the air force. General Chou Chih-jou was the Chief of Staff of the Chinese Air Force and the Chief of the General Staff of the Chinese armed forces, and General Mow Pang-ch'u, besides being head of the Chinese Air Force Office in Washington and Chinese representative on the United Nations Military Staff Committee, was Deputy-Chief of Staff of the Chinese Air Force. But General Mow always felt that he should have been the commanding general of the air force. For one reason or another, the Generalissimo had given the post to General Chou, thereby placing him above General Mow. Perhaps, [it was because] Chou was more pliant and knew the secrets of success of Chinese officialdom better than Mow? [Perhaps General Chou was more responsible or capable? Whatever the reason,] the result was the personal and

political rivalry and the mutual suspicions of the two Generals, and also a good deal of misunderstanding and lack of cooperation between Air Force Headquarters in Taiwan and the Air Force Office in Washington. [This competition was the source of the trouble. In fact,] it is striking that, [in reviewing the case as a whole,] the sheer weight of the figures compiled and the exchanged correspondence between Taiwan and Washington on the case [during all the remaining years of my Ambassadorship in Washington] reflect [attest to] on thing--the competition between two persons.

[Against that background it is easier to understand why General Chou Chih-jou wanted Colonel Hsiang to return to Taipei. First of all,] he knew that Colonel Hsiang was the number-two man in Washington office and that Hsiang had a great deal of authority [and latitude of action]. Hsiang was, so to speak, the brains of General Mow's office and Mow's right-hand man. After all, Colonel Hsiang was a very intelligent and shrews man and he was the one who did the legwork, who made the contacts and knew so many people in the American government, particularly in the United States air force and army, and in the newspaper world. He was also a very energetic and tireless person. He took on a great deal of responsibility and General Mow depended upon him to a great extent. [But, and this brings me to my second point, Colonel Hsiang, who] was full of ideas, was sometimes daring, even to the point of imprudence. He was emotional by nature, which apparently led him to take rash and impulsive actions. General Chou must have heard, for example, that Colonel Hsiang had taken his suspicions about irregularities and procurement matters to the American authorities. [Therefore, Chou wanted to remove Hsiang, whom] he considered a trouble maker, and so reassigned him to the Defense Ministry in Taipei. As Mow refused to agree to the transfer, Colonel Hsiang continued his work in Washington. However, at that time the full story had not yet come out.]

A Colonel, L[asrence] Smith [had been handling certain items of procurement

On January 18, I had lunch with Senator Knowland at the Senate. He wanted to ask me whether military supplies had been shipped to Formosa in recent months, and, if so, how much. He also wanted to ask me to find out why the Generalissimo had not yet replied to Congressman Judd's letter calling his attention to the two reported cases of irregularity [in procurement matters. I understood him to refer to the procurement of] gasoline and P-51 planes. I told him, in that regard that I would inquire about the reply to Judd's letter. The letter had been presented personally to the Generalissimo by Senator Knowland in November 1950, when Knowland was visiting Taipei, but the fact that it had been received had only recently been acknowledged to Judd.

[One week later, the controversy between General Chou and General Mow began to break in earnest. At 8:15 in the morning of January 25, Foreign Minister George Yeh telephoned from Taipei to tell me that General Chou Chih-jou had told him that Colonel Hsiang was reported to be of questionable loyalty. Yeh said so far General Mow had refused to implement Hsiang's recall, and the matter was now before the Generalissimo for decision. In fact, Hsiang's case came before that of three others under General Mow, who had gone over to the communist side. George Yeh added that now the funds in General Mow's charge would be subject to joint signature by two others. (Heretofore General Mow alone had custody of the funds and the authority to sign relevant checks and use relevant funds.)

Mr. Yeh gave me the impression that Colonel Hsiang's case was precipitated by the State Department's refusal to deal with CIC regarding the order for radar from Bendix Aviation Company. General Chou had told him, however, that their price for the radar was the lowest quoted and the commission asked by the CIC was only the usual two percent. Therefore, he urged me to urge the State Department to issue the necessary export license.

[Dr. Koo: Would this be radar in addition to the nine sets, in regard to which the date of delivery was, according to previous entries, already set? Or did

ready access to the Generalissimo's office and because he was very much in favor with Madame Chiang, he had been given greater responsibilities than was usual. Yet his prestige was relatively new and his standing relatively not that high. Therefore, it was not easy for him to take up his new duties.

The conference on the reorganization was fixed for Thursday, May 3. General Mow saw me a few minutes beforehand to show me copies of his telegram to the Generalissimo and the Generalissimo's reply. In his telegram, he declined to return to Taipei--a recent order, he resigned his post in Washington and turned his work over to Colonel Hsiang for temporary charge. In the Generalissimo's reply, the latter explained that Mow had been asked to go back so he could confront General Chou Chih-jou as to his charges of corruption, and it reprimanded him for turning his work over to Colonel Hsiang without the Defense Minister's orders, which constituted an infraction of discipline. [This was especially so because,] as Mow had told me before, General Pee, [returning on February 10 from a short trip to Taiwan for consultation,] had brought back word that Colonel Hsiang was asked to return. Mow, of course, had still refused to release his right-hand man.

General Mow's telegram to the Generalissimo was really outspoken against General Chou Chih-jou and even strongly critical of the government. After the telegram, Mow said, Madame Chiang telephoned to him, telling him to return and guaranteeing that he would be allowed to come back, but he had not gone.

[By that time the other service representatives, including General Pee, Colonel Han and Colonel C. L. Tseng, had begun to arrive. Minister T'an and S. C. Wang were also present.] So I opened the meeting, which started well enough. I was presiding and tried to keep it orderly. But I could sense the resentment on the part of Colonel Han, General Mow and Colonel Hsiang. First, Colonel Tseng, temporarily assigned to the charge of air force procurement, adroitly tried to get out of the situation by declaring his inability to accept the temporary assignment pending the arrival of Major Hsiao from Taipei to take charge of it permanently.

Then Colonel Hsiang opened his guns on General Pee and, with measured words, charged Pee with corruption and squeeze in handling the purchase of twenty-five radios in 1949, through ^a Mr. Tsung Ling, whom several present also declared to be a crook. Hsiang read a letter from General Pee to the Universal Trading Company, ordering them to pay Mr. Tsung some \$4,900 for the radios, which according to Hsiang was some \$2,000 in excess of the then prevailing market price. When General Mow took Colonel Hsiang's side, the atmosphere really became tense.

I let Hsiang finish his statement, lest stopping him give rise to suspicion, but I also gave General Pee the right to answer the charge. Then I declared the charge was a serious one, and the conference was not for the purpose of judging such a case, which should be brought to the proper channels, if Colonel Hsiang wished to pursue the matter further for legal determination. Our government was an organized government, I said, and had different departments for different classes of matters, and we should follow the law. To my surprise, General Mow retorted by saying that if the government was wrong in employing corrupt people, we should not blindly follow its orders (he was evidently referring to the order of reorganization of the procurement agencies in Washington) and that he, for one, was not afraid of revolting against the authority of the government, when it was misused to the detriment of its good name abroad.

I said he was entitled to his view, but it was not within the scope of the conference, and all public servants here had their duties to perform and obligations to observe. All this was said calmly, so nothing was added to the tension. Then, after summarizing the steps to be taken by General Pee and the other units for speedy transfer of the functions to the new group and after showing him the detailed decisions of the Executive Yuan, as conveyed to me in a dispatch from the Waichiaopu that arrived the same morning, I adjourned the meeting without further incident.

General Mow told me on the side that the Generalissimo was displeased with him because the Generalissimo suspected he had kau yang Chuang, made accusations to foreigners. He added that either Senator Knowland or Congressman Judd would try to see me in a day or two about General Chou Chih-jou's corruption. According to Mow, this consisted in appropriating \$500,000 from the air force funds on deposit with the Bank of China in New York, by ordering its transfer to a Hongkong bank in his own name last December, in five checks of one hundred thousand dollars each. This action, he said, was reported to the United States government by the New York State Banking Commissioner's representative to the Bank of China, and thus also came to the attention of the Senator and Congressman.

[General Mow was very upset, but I had no idea how upset he was, nor how far he would go until the following Monday. Very early that morning] Foreign Minister George Yeh telephoned to me from Taipei. He said the Generalissimo had received a report to the effect that General Mow was going to hold a press conference to expose a case of corruption in the Defense Ministry and that Colonel Hsiang had asked for political asylum from the United States government.

The Generalissimo must have received these reports from his agents in the United States. George Yeh wanted to know if they were true. He said the Generalissimo was very angry because General Mow was kau yang chuang, appealing for justice to foreigners, and wanted me to notify the United States government that he, the Generalissimo, would take drastic action against General Mow and Colonel Hsiang.

George Yeh consulted me as to the best course to take, because the time was bad for any aggravation of United States government feelings against our government. I asked him to advise the Generalissimo to hold off drastic action, and I would do my best to persuade the two not to resort to publicity, as our cause would suffer by giving a further bad impression to the United States government and the American people, especially at this time, when the Administration seemed

to be revising its China policy in our favor and when the whole question of the Far East and China policy was under review because of the MacArthur controversy. George Yeh fully agreed with my view and said he would so advise the Generalissimo. He added that General Mow should remember his close tie with the Generalissimo for all these years and their personal relationship. (Mow was a distant nephew of the Generalissimo through marriage, the Generalissimo's first wife being of the Mow family.) I promised to cable him the result of my proposed talks with Colonel Hsiang and General Mow.

General Peter Pee, [the first to call on me that same morning, May 7,] said he felt he must have Colonel Hsiang's unfounded charge against him cleared officially, lest it should hamper his work in the new post. I told him I did not report to Taipei on the case myself, as Colonel Hsiang's bringing it up was outside the scope of our conference last Thursday, but Taipei seemed to know about it and had telephoned me about General Mow's opposition to the change and reorganization and about the report of his desire to expose it to the American public. Pee said he heard the same thing. The same day I received a cable from Wang Shih-chieh, the Generalissimo's Secretary-General, in which the Generalissimo asked me to officiate the handing over of the functions to the new establishment. A cable from the Defense Ministry appointed H. T. C. Han to be the fourth member and representative of the air force on the staff of the new mission. It was evidently a move to reconcile Han and Pee(?).

When Colonel Han called in the afternoon, I told him of his inclusion in the new mission under General Pee and asked him when he could arrange to hand over the work of his agency to the mission. Han said he would do it, but had not yet heard from [his immediate superiors in] the Munitions Bureau in the Defense Ministry. He agreed that obedience to the government's orders and General Pee's case [--Colonel Hsiang's charges against Pee--] were two distinct matters, and he should not confound them into one question.

[Afterward I received Colonel Hsiang.] Fortunately he came at my request, after I failed to locate General Mow, whose office in Washington said he was at home, which place, however, on being phoned, said he was in New York, which place in turn said he was en route to Washington. Hsiang gave me a long account in reply to my questions [prompted by the Foreign Minister's telephone call.] He said Thursday evening (May 3), General Mow, who had been very unhappy lately because of the government's attitude, was very indignant. After some drinking, he loudly proclaimed he was going to call a press conference and expose the whole case of General Chou Chih-jou to the public, including the government's refusal to act against him. Li Wei-kuo, who had been present, urged Mow not to do it for the sake of our country's cause. But, said Hsiang, he believed General Mow had no real intention to act anyway, as he quickly kept quiet, when Hsiang told him that that was not the way to deal with the case, and if he did anything of the sort, he would leave him to act alone. Then Hsiang told General Mow to go upstairs and sleep, which Mow did.

As to his own reported request for asylum, Hsiang said it was not true. What had happened was this. When Congressman Judd, Senator Tydings and the FBI had asked him last year to tell them all about the reported cases of irregularity in the procurement of gasoline and surplus aircraft for the Chinese air force, he would not say anytime, unless they assured him of safety in the event of our government learning of it and asking the United States government to deport him, as he feared it was likely for General Chou Chih-jou to act against him.

[(In 1950 Senator Millard E. Tydings, (Democrat from Maryland) was heading the Senate investigations into Senator Joseph McCarthy's charges of subversion in the State Department. As in the MacArthur hearings of 1951, which had just begun, the China policy of the State Department became a central issue. Therefore, what Colonel Hsiang said seemed quite plausible. Allegations of irregular practices by Chinese government officials might well have come to the attention of Senator

[But returning to his visit of the 10th,] I also discussed with him Hu Shih's suggestion to get the documents for him (Hu) and Liu to go over in preparation of eventual review and investigation of the Mow case. Ch'a was at first inclined to disagree, as Hollington Tong had already advised me he would. But later he said he had no objection, when I suggested Hu Shih and Liu Shih-fang could come to Washington to go over the documents, so Ch'a and others could also use them in connection with the pursuit of Mow's case without inconvenience. I also assured Ch'a of his and his colleagues personal safety and told them I would take steps to notify the State Department to take the necessary steps to protect them. On the 12th, in fact, I told Dr. T'an to take up the matter with the State Department.

On January 18, at 4:00 p.m. Mrs. Mow called by arrangement, Colonel Tseng, the air attache, having twice asked my secretary for an appointment from me to see her. She spoke of the hardships and annoyances her husband had been experiencing as a result of the lawsuit brought by the government against him. She emphasized his repentance for what he had done in disavowing the President of the Nationalist government. She would like to see the suit dropped, she said. Her husband would hand over the funds, such as were left in his hands after deducting what had already been spent. Continuance of the suit, she reasoned, would only benefit the lawyers of both sides and result in no substantial amount being left for the government once the lawyers fees and expenses were paid. She showed me a cable she had sent to Madame Chiang Kai-shek, asking her to plead before the President

for a pardon for her husband, but said she had not received a reply, though it had been dispatched some ten days before. She deemed the absence of a reply as a good indication that it had not been received, and asked me to intervene by urging a reply from the President.

I told her that I had repeatedly urged her husband to obey the government's orders and hand over the funds as directed, and told him that his refusal to do so would hurt him as well as the cause of our country in the American public's eyes. But, I continued, he not only refused to obey orders, but even declared against the President and the government, a course which could not help him and could only lead him into an abyss. Since he was the responsible person and the principle defendant in the suit, he must first declare his repentance to the President and present a concrete proposal to turn over the funds, records, etc. Only then, I said, could I consider, after consulting our lawyers, whether to suggest to the government to give favorable consideration to her request. If he did not take these two steps, I could not say anything about her request, especially as the suit had been going on for some time and was in good hands.

She also asked me to help unfreeze some bank accounts of a few thousand dollars, upon which she depended for her household expenses. In reply to my question, she said the account was in her husband's name. I told her it would then be difficult for me to help. In any case, if she should really need some money, she should let me know the bank in which it was on deposit, the amount and other such pertinent facts. Subsequently, I sent a cable to Wang Shih-chieh for the President and George Yeh reporting Mrs. Mow's visit and request.

Although I knew Mrs. Mow, I had not seen very much of her. She was living in New York and I was in Washington, and as a rule, whenever her husband entertained, his wife did not appear, although many Chinese society ladies would always be present. I must say also, that in the first few years of his mission in the United States, Mow's wife remained in China and did not join him until a few months before the Mow case arose. In Taiwan, she knew Madame Chiang and the Generalissimo, but I wouldn't think that she kept in very close touch with them. But since her husband was a distant relative of the Generalissimo, it was natural that she at least tried to keep in touch with the President and his family.

[Later that day, I talked with Dr. Ch'a, whose visit I have already referred to in part.] Dr. Ch'a it seemed was still opposed to Dr. Hu Shih's suggestion to study the data he and Colonel Liu had brought from Taiwan and, to counter my insistence, said both Colonel Liu and Colonel Shih were more opposed to it than he. He said he would take them over to see me tomorrow, if I agreed to explain their reasons. I fixed it for 11:00 a.m., though it did not work out, Ch'a being unable to finish his discussions with the lawyers in time. However, he said he was contemplating a visit to Hu Shih to explain his views directly.

Ch'a further told me that Mow was apparently anxious to settle the case outside the court. He said not only had he tried to have Mrs. Mow see Hu Shih in New York, but ^{he} also asked

immunity in regard to the funds withdrawn from the Swiss bank, they would answer this second counter-claim.

On February 12 Dr. Ch'a informed me that General Mow did not turn up at Mr. Leahy's office to give depositions as arranged, and his lawyer said he did not know the General's whereabouts. Colonel Hsiang, however, had appeared on February 9, as arranged, but only to read a prepared statement disavowing President Chiang Kai-shek and claiming to obey only Li Tsung-jen as President, stating that Li had instructed him to continue in his post as aide to General Mow in the ^{Washington} Air Force Office, here. He refused to answer any questions. Ch'a said it was reported that General Mow had left Washington for Texas for a rest. I told him to take steps at once to locate him and keep him under watch, lest he should seek to flee the country.

Not two days later, it was reported to me that Mow had reached El Paso on the Mexican border. I held a conference with Dr. Ch'a, S. C. Wang and asked them to instruct our lawyers to locate General Mow's whereabouts with the aid of detectives and take steps to prevent his flight abroad. The situation, I told them, was urgent. I told Dr. T'an also present, to see Perkins, Chief of the China Section of the State Department, and ask his help in preventing Mow's escape, and further asked S. C. Wang to request Leahy to approach the FBI to take

immediate measures for the same purpose. Both Wang and Ch'a told me confidentially that the FBI had already been on the job of collecting data, giving evidence of Mow's illegal acts with the public funds entrusted to his custody by the Chinese government, and turning it over to United States Department of Justice authorities for eventual action.

[All my requests for action were to no avail.] News came on February 20 that General Mow had crossed the border and was now in Mexico City. Both S. C. Wang and Dr. Ch'a came to report his flight and its affect on the case. [It seemed that as a result of Mow's failure to appear to testify upon the deposition set for February 8, our lawyers had filed a motion asking the court to strike out General Mow's pleadings and enter judgment against him by default, as a penalty for his non-appearance. Then, when this motion came up for argument before the court, Mow's lawyer had to admit that his client had fled to Mexico and though he had gone to Mexico City to see him and ordered him to return, it was for no purpose. (From a report by Belknap.)] The court gave Mow ten days to appear, otherwise it would proceed to give judgment in his absence.

I had feared Mow would leave the country. Repeatedly I had urged Dr. Ch'a to engage detectives to watch him 24 hours a day. Even when he reported, after a few days' trial, that our lawyers thought this unnecessary and too expensive, I told him the expenditure should not be avoided and that we should try to watch him for at least two months, until judgment was rendered by the court. I had even requested the State Department,

first, his work in bringing about the search of Mow's house in Long Island and the records, codes and other important papers of the Chinese air force that Mow had hidden there; second, the appointment of a recorder, a former judge by the name of Mr. Lombard, by the court of Nassau County to take charge of both the funds Mow had appropriated for himself and deposited in the Swiss bank and the Chemical Bank of New York and the securities he had bought with some of these funds; third, the discussions with Mr. Belknap, who had first advocated attachment proceedings instead of a request for the appointment of a recorder; fourth his warning to our lawyer, after I informed him on the basis of a report I received that Mow was trying to buy his way out of the Mexican jail; fifth, his efforts, with the cooperation of our lawyer in Washington, to get at the United States government short-term treasury notes bought by Mow in his own name with the government funds; sixth, the steps taken by him to get information from W. B. Hibbs and Company, the stockbrokerage firm in Washington with whom Mow had carried on his speculation with funds belonging to the government.

[By short, by this time, from the depositions taken of the banks and from other sources of information, there was no longer too much doubt that General Mow, with the connivance of Colonel Hsiang, had been absconding large sums of public monies for private purposes. For example, in 1950, General Mow had invested \$550,000 with the brokerage firm, W. B. Hibbs and Company, and thus had been carrying on speculation with funds belonging to the Chinese government. In April 1951, Mow had withdrawn first \$100,000 and later \$500,000 from the government funds and deposited them under his own name in a Swiss bank. In May 1951, General Mow withdrew \$500,000 from the government funds and deposited the sum in his own account in the Chemical Bank and Trust Company of New York. In November, he withdrew another \$800,000 from the government funds and again deposited the sum in his own name, with government funds withdrawn from the National Bank of Washington, \$ 2 million worth of United States Treasury bearer bills, which were

was declared entitled to recover from the defendant \$6,368,503.47 with six percent interest to be executed upon any property of the defendant, wherever found. The Republic of China was also declared the rightful owner of all monies and credits in the various bank accounts Mow controlled in New York, Washington and Switzerland, of the Treasury notes, and of the books, records and documents in question, and these were all to be turned over to the plaintiff in a set period of time, in the first instance by Mow, but if he did not comply, then through his attorney.]

The court decision did not bring the Mow case to an end, but it did have certain practical effects. ^{In} /the first place, the favorable judgment of the court for the Chinese government gave a lie to all Mow's allegations against the Chinese government and against the Generalissimo, as head of the government. In the second place, it was a legal victory for the government in that its claims were legally upheld by a constitutional court of the United States, with the effect that all the allegations and pretended defenses of Mow were legally rejected by the court. In other words, it was successful in clearing the government's name which, in my view and the government's at the time, was the primary purpose of bringing him to trial.

The decision of the court was less successful in assisting the government in ^{That was th} the actual recovery of the funds to which it was then clearly entitled by law./ matter of implementation of the judgment. If I recall correctly, by the time judgment was rendered in 1954, the government had already recovered a substantial amount of money. I should think over three million dollars. (?) What remained to be collected were the treasury notes, certain deposits, numbered accounts that General Mow established with Swiss banks in Switzerland, and some

This compromise took place not in the time of Hollington Tong, my immediate successor, but in George Yeh's time as Chinese Ambassador in Washington. When Yeh assumed the post of Ambassador in Washington in succession to Tong, he handled finally the compromise settlement, the terms of which I do not wish to say anything about because, in the first place, I did not know the exact terms and was not consulted and, in the second place, I was not in favor, in principle, of any compromise settlement after all we had gone through in order to clear the name of the government. However, I will say that the compromise was made directly with Mow and pertained to the United States Treasury notes, while the supplementary cases were simply left, abandoned, and not pursued.

As to what happened to General Mow after the Mexican government refused extradition, he remained in Mexico until the case was compromised. [George Yeh told me at one point that General Mow was agreeable to the proposition to compromise, but attached certain conditions to it. He wanted to have something like \$200,000 to keep in order to live. The government finally, just by recalling what Yeh told me, agreed to this, if he would turn over the remaining \$1.5 million worth of Treasury notes.] That I think took place in 1958.

Afterward, General Mow, who was cleared as one of the conditions, came to the United States. Now he is on the Pacific Coast.