

I.B. TAURIS

PANAGIOTIS DIMITRAKIS
**THE SECRET WAR
FOR CHINA**

ESPIONAGE, REVOLUTION AND THE RISE OF MAO



Panagiotis Dimitrakis holds a doctorate in War Studies from King's College London, and is an expert on intelligence and military history. He is the author of *The Secret War in Afghanistan: The Soviet Union, China and Anglo-American Intelligence in the Afghan War* (I.B.Tauris, 2013), and *Secrets and Lies in Vietnam: Spies, Intelligence and Covert Operations in the Vietnam Wars* (I.B.Tauris, 2016).

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in the Vietnam Wars

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To Giannis and Eleni

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ABBREVIATIONS

AGFRTS	Air and Ground Forces Resources and Technical Staff
BAAG	British Army Aid Group
BETRO	British Economics and Trade Research Organisation
BIS	Bureau of Investigation and Statistics
BLO	British Liaison Officer
BMM	British Military Mission
CAT	Civil Aviation Transport
CC	Central Committee
CCP	Chinese Communist Party
Cominform	Communist Information Bureau
Comintern	Communist International
CIA	Central Intelligence Agency
CIG	Central Intelligence Group
COIN	Counter-Insurgency
CREST	CIA Records Search Tool
EAYWA	East Asia Yellow Way Association
FBI	Federal Bureau of Investigation
FRUS	Foreign Relations of the United States series
GC&CS	Government Communications and Cipher School
Gestapo	Nazi Secret Police
GPU	State Political Directorate under the NKVD (in November 1923, the GPU left the Russian NKVD and was transferred into the OGPU)
ISLD	Inter-Service Liaison Department (SIS cover designation in the Far East)

JIC	Joint Intelligence Committee
Juntong	Bureau of Investigation and Statistics for the Military Affairs Commission
KMT	Kuomintang
MI6	Military Intelligence Section 6 (also known as SIS)
M19	Military Intelligence Section 9 (Escape and Evasion)
NARA	National Archives and Records Administration, United States
NKDV	Soviet Secret Service (MGB from 1946 onwards)
OGPU	Joint State Political Directorate
ONI	Office of Naval Intelligence
OSS	Office of Strategic Services
PLA	People's Liberation Army
PSYOPS	Psychological Operation
SAD	Social Affairs Department
SIS	Secret Intelligence Service (also known as MI6)
SOE	Special Operations Executive
SSA	Signal Security Agency
SSGHQ	Security Service General Headquarters
SSU	Strategic Services Unit (US)
TNA	The National Archives (UK)
UNRRA	United Nations Relief and Rehabilitation Administration
Zhongtong	Central Bureau of Investigation and Statistics

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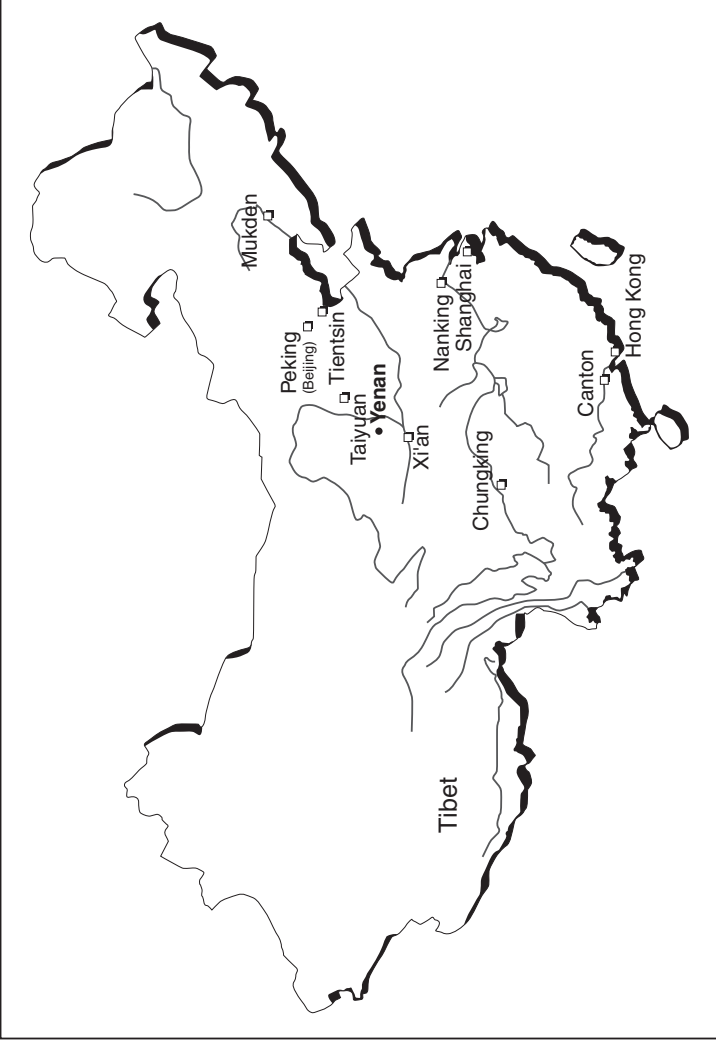
NOTE ON PINYIN

The Pinyin romanisation system is used in the majority of the names and locations, with exception for names of people or organisations well-known to the English-reading public in Wade-Giles romanisation: for example Sun Yat-sen, Chiang Kai-shek.

'{T}he use of spies, of whom there are five classes: local spies; inward spies; converted spies; doomed spies; surviving spies. When these five kinds of spy are all at work, none can discover the secret system. This is called "divine manipulation of the threads." It is the sovereign's most precious faculty. Having local spies means employing the services of the inhabitants of a district. Having inward spies, making use of officials of the enemy. Having converted spies, getting hold of the enemy's spies and using them for our own purposes. Having doomed spies, doing certain things openly for purposes of deception, and allowing our spies to know of them and report them to the enemy. Surviving spies, finally, are those who bring back news from the enemy's camp.

Hence it is that with none in the whole army are more intimate relations to be maintained than with spies . . . None should be more liberally rewarded. In no other business should greater secrecy be preserved. Spies cannot be usefully employed without a certain intuitive sagacity. They cannot be properly managed without benevolence and straightforwardness. Without subtle ingenuity of mind, one cannot make certain of the truth of their reports. Be subtle! be subtle! And use your spies for every kind of business. If a secret piece of news is divulged by a spy before the time is ripe, he must be put to death together with the man to whom the secret was told. Whether the object be to crush an army, to storm a city, or to assassinate an individual, it is always necessary to begin by finding out the names of the attendants, the aides-de-camp, and door-keepers and sentries of the general in command. Our spies must be commissioned to ascertain these. The enemy's spies who have come to spy on us must be sought out, tempted with bribes, led away and comfortably housed. Thus they will become converted spies and available for our service. It is through the information brought by the converted spy that we are able to acquire and employ local and inward spies. It is owing to his information, again, that we can cause the doomed spy to carry false tidings to the enemy. Lastly, it is by his information that the surviving spy can be used on appointed occasions. The end and aim of spying in all its five varieties is knowledge of the enemy; and this knowledge can only be derived, in the first instance, from the converted spy. Hence it is essential that the converted spy be treated with the utmost liberality.'

Sun Tzu, *Art of War*, Chapter XIII 'The Use of Spies'



Map of China: Cities of Strategic Value for the Opponents in the Civil War.

INTRODUCTION

SUSPECT EVERYONE

October 1, 1949. Atop the Gate of Heavenly Peace in Tiananmen Square, Mao Tse-tung, a former teacher from Hunan, now the chairman of the Chinese Communist Party, proclaims the People's Republic of China. Under Mao's leadership, the communists defeated the better-armed nationalist regime of the Republic of China under the generalissimo Chiang Kai-shek in the epic civil war from 1927 to 1949.

With his treatise *On Guerrilla Warfare* (1937), Mao inspires strategists of any political persuasion with his war theory, pragmatism, resilience and his defiance against all odds. Mao defeated the Chinese Nationalist Party (Kuomintang, KMT) for yet another reason beyond those of shrewd strategy and tactics, the overwhelming support of the Chinese, the mistakes of Chiang and the inherent terror and corruption of the KMT government (which alienated many Chinese, turning them into supporters of the communist cause): the CCP had abundant spies inside the top echelons of the government and the military who provided streams of vital information of the KMT's intentions. In modern intelligence services jargon, high-placed spies are also called moles, penetration agents, deep cover agents or sleeper agents.¹

The CCP rank and file suffered from defections of cadre. Nonetheless, the information and advice provided to the opponent by a defector did not equal the intelligence provided by a communist mole with access to consultations and top-secret documents. For some time the KMT had a mole, Shen Zhiyue, in Mao's office in Yenan, who eventually reached Chungking, the wartime nationalist capital and, after the war, headed one of the intelligence agencies of Taiwan (Formosa). Chiang admitted that one

of the key factors of his defeat was the infiltration of communist spies in the military: 'There is no hole they do not enter' he complained. The moles caused panic and confusion amongst the nationalist decision makers, 'even to the extent that our several million troops, without even experiencing fierce battle, were shattered by the enemy, and innumerable excellent weapons were presented to the Communists and used to massacre us' Chiang remarked.²

The Chinese warlords' conflict in the 1911–27 war, and the civil war thereafter, was a game of ruthless expediency. 'I came to realise that every civil war in China proceeds simultaneously on two fronts, military and political, and of these the political is the most important. While two groups of armies were fighting – not very hard – the two sets of leaders were constantly trying to come to terms with some faction on the other side. If they succeeded, they'd join forces and turn on the ones who'd been left out of the deal', concluded Morris Cohen, a resourceful Canadian-Jew who became aide de camp and bodyguard of Sun Yat-sen, the inspiring founder of the KMT and an acting colonel of his army in the late 1920s.³ Suspecting the ever-changing loyalties of friends and enemies alike was the first lesson for a spy in the war-torn China, and it is something the reader of this book ought to keep in mind.

This book explores the role of spymasters across multiple, interconnected secret battlefields. It reveals: the clandestine confrontation between Mao and Chiang, and between British intelligence and Communist International (Comintern) agents in China; Chiang's plotting against the allies (mostly the British and the Americans) and against the Japanese; the allies' bid to turn nationalist China against the Japanese; Mao's actions against pro-Moscow communist leaders within the CCP; and Chiang's actions against nationalist generals who plotted to oust him. Each of the secret war's integral part was the secret negotiations of Chiang with Nazi Germany and with Japan, whose forces he employed against the CCP once World War II was over. Mao employed nationalist forces who had defected, as well as Japanese, against the KMT. During the final three years of the civil war about 105 out of 869 KMT generals defected to the CCP. The deputy head of the General Staff, General Wu Shih, was a communist secret agent.⁴

The crossed and parallel histories of spies and their masters is the central theme of this study. As the Chinese people endured the Japanese intervention, invasions and the crimes against humanity of the Imperial

Japanese Army, both Mao Tse-tung and his enemy, Chiang Kai-shek, and both men's loyal lieutenants, were thinking the same: while continuing to fight Japan, how to simultaneously outwit and destroy the other. Mao and Chiang, leaders of armies of thousands of troops, believed that there would be only one ruler for China.

The civil war in China commenced during the inter-war period. During this time the United States had no foreign intelligence organisation; however, it did have plenty of amateur 'China hands' – diplomats and merchants who had lived in China for decades. Once the United States entered World War II, Washington supplied the Nationalist Army with immense quantities of modern, US-made war material. The Office of Naval Intelligence (ONI), the Office of Strategic Services (OSS) and the Federal Bureau of Investigation (FBI) provided advice vital for the reorganisation of the nationalist secret services. The Americans assumed that they were helping an ally fight back the Japanese. The OSS, under the charge of Republican lawyer and Medal of Honor recipient General William Joseph 'Wild Bill' Donovan, was exploring schemes of cooperating in joint guerrilla operations against the Japanese. Nonetheless, Chiang Kai-shek and his loyal spymasters Dai Li (nicknamed the Himmler of Asia), Xu Enzeng and the ever-influential Chen Lifu were preparing for the final confrontation with the CCP, and they never stopped blocking the Secret Intelligence Service (SIS/MI6), the Special Operations Executive (SOE) and the Americans from operating in China and having any communication with the communists. The ever-suspicious Chiang and Dai were obsessed that the British intelligence services would ally themselves with warlords and communists against their rule.

The Eternal War for the Republic

The 'Xinhai' (Hsin-hai) revolution of 1911 led to the end of the rule of the Qing dynasty. By late autumn, provincial governors declared their independence from the Qing Empire. On 30 November 1911, Li Yuanhong formed the Central Military Government of the Republic of China. The new republic was proclaimed on 1 January 1912. Sun Yat-sen, a doctor of medicine, was elected the first provisional president of the Republic of China. Since 1905, he had propagated the 'Three Principles of the People': nationalism, democracy and the livelihood of the people. Sun inspired both the nationalists and the communists.

In November 1956, Mao praised Sun: 'Let us pay tribute to our great revolutionary forerunner, Dr Sun Yat-sen! We pay tribute to him for the intense struggle he waged in the preparatory period of our democratic revolution against the Chinese reformists, taking the clear-cut stand of a Chinese revolutionary democrat. In this struggle he was the standard-bearer of China's revolutionary democrats . . . Dr Sun was a modest man. I heard him speak on many occasions and was impressed by the force of his character . . . He worked heart and soul for the transformation of China, devoting his whole life to the cause; of him it can be justly said that he gave his best, gave his all, till his heart ceased to beat . . .'⁵

Sun Yat-sen had studied English, English history, mathematics, science and Christian theology; later he studied medicine at the Guangzhou Boji Hospital and became a doctor at the Hong Kong College of Medicine. Earlier when he was 17 years old he was baptized a Christian. He soon joined scholars urging for revolution against the Qing dynasty. Sun instigated eleven uprisings before 1911; all failed, and he was exiled several times in Japan and Europe. In London in 1896, Sun Yat-sen was lured to the Chinese Legation, where he was held for twelve days. Allegedly, Chinese officials planned to 'pack him' and send him to China to be executed. He managed to pass a note to a British servant calling for help. The prompt intervention of the Foreign Office, the press and the outcry of the public opinion compelled the Chinese to release him.⁶

Sun tried to get the British public's support for his Reform Party – but to no avail. He needed foreign backing to overcome the plots of the Chinese court against him. In the period 1897–1907, he received some support from Japan, while he tried to gather financial and political aid in the United States. He called for a bond with France in 1908, and, in 1911, upon the revolution, he proposed for an alliance with both Britain and the United States.⁷

Sun Yat-sen was the foremost revolutionary scholar, and he was elected provisional president. But with no military force under his command, he had to negotiate with the power-hungry imperial prime minister and the former army grand marshal Yuan Shikai, who mediated for Emperor Pu Yi to abdicate and for Yan to be appointed president. Yuan was sworn on 10 March 1912. After two millennia, the imperial rule was over. Sun Yat-sen established the nationalist party the Kuomintang (KMT) on 25 August 1912. The party won a majority in the election of the National Assembly. Song Jiaoren was elected premier but was assassinated in

Shanghai on 20 March 1913, after an order from Yuan Shikai, who sought to expand his powers and turned against the National Assembly. Sun Yat-sen led a failed uprising (named the '*Second Revolution*') and eventually was exiled in Japan where he received some support. On 21 October 1915, Sun married Soong Ching-ling, one of the three daughters of the wealthiest family of Shanghai, the soon to be in-laws of Chiang Kai-shek. Ching-ling, who was twenty-six years younger than Sun, was fascinated by his spirit and political philosophy. Her husband brought her into the realm of revolution, politics and intrigue, himself teaching her about codes, invisible ink and how to discover the spies of his enemy, the government of Yuan.⁸ As we will explore, Ching-ling would turn into a communist who kept her comrades informed of Chiang's strategies in the 1930s and 1940s.

Meanwhile in London, Sir Mansfield Cumming, the head (the 'C') of the newly-founded Secret Intelligence Service (SIS/MI6), decided in spring 1914 (just before the outbreak of World War I) to send an agent in Kiaochow (Jiaozhou), near Tsingtao. Tsingtao was the homeport of the German East Asian squadron, which encompassed heavy cruisers SMS *Gneisenau* and *Scharnhorst* and light cruisers *Emden*, *Leipzig* and *Kronberg*. Already in 1912, the Germans commenced building a defence line around Tsingtao called the *Boxerlinie*. In May 1914, the German land forces in Kiaochow numbered 45 officers and 1,269 men. After the outbreak of the Great War, on 15 August, British and Japanese warships blockaded the German port of Tsingtao. Their commanders issued an ultimatum for surrender by 23 August. The Germans answered in the negative, and during the first week of September 1914 a Japanese division and a British infantry brigade landed on the northern shores of the Shandong peninsula. Tsingtao was encircled, and on 7 November the German command ordered the destruction of the artillery and the surrender to the Japanese. The SIS mission to Tsingtao received financing from the secret vote but it remains unknown whether the agent ever reached Kiaochow. Before 1920, China was not considered a priority of the SIS.⁹

China entered the 'warlords' era', a decade of provincial warlords' armies with ever-changing loyalties which dominated the mainland regions of Sichuan, Shanxi, Qinghai, Ningxia, Guangdong, Guangxi, Gansu, Yunnan and Xinjiang. Yuan had wild aspirations. He put strong pressure on the National Assembly to be elected the new emperor. Eventually, he 'accepted' the resolution of the assembly and proclaimed himself emperor of the

Chinese Empire. From Tokyo, Sun Yat-sen planned to overthrow him. Military governors rebelled against Yuan, who was compelled to abort his accession ceremony. His health deteriorated dramatically. He died from uraemia on 5 June 1916. Vice President Li Yuan-hung succeeded him, and in a doomed bid warlord Zhang Xun restored Emperor Pu Yi for twelve days from 1 July–12 July 1917. Other warlords removed Li from office. Sun Yat-sen returned to China and dissolved the assembly, allying himself with the warlords of South China. In late July 1917 he formed a rival government, called the 'Constitutional Protection' government, with seats in Guangzhou. In September, Sun was named generalissimo of the military government. Initially, the warlords of South China backed his regime, but in July 1918 they turned against him and demanded that he establish a governing committee. Despite the war and intrigue in China, Sun Yat-sen closely followed the events in Russia, and at the end of June 1918 he telegraphed Lenin to congratulate him for his leadership in the Russian revolution. The Russian leader had noted Sun. On 15 July 1912 Lenin wrote an article, published in *Novskaya Zvezda*, where he called Sun an 'enlightened spokesman of militant and victorious Chinese democracy, which has won a republic'. The Russian leader arranged for *Izvestia* to publish Sun's telegrams.¹⁰

Nonetheless, Sun and the Chinese nationalists saw the Western countries as models to follow in establishing the institutions of their republic, and as sources of advice and support. But they soon became frustrated. During the 1919 Paris peace conference, the allies did not hand back to the Chinese the Shandong province (the birthplace of Confucius) after the defeat of Imperial Germany, which had occupied the province. Instead, the allies allowed the Japanese to move in. It was an insult for the Chinese. The May Fourth Movement represented the anger towards the allied attitude towards China. The movement was named after the first demonstrations in Peking (Beijing) on 4 May 1919. The intellectual, student and urban public opinion turned violently against the Western allies who continued preserving their concessions and privileges in China. Mao Tse-tung and Chou Enlai – two initially pro-West intellectuals – were now adamantly against Britain and the United States, viewing them as mere colonial powers seeking more privileges in China. Soon both, like Sun Yat-sen, turned for help to Russia, where the Bolsheviks were fighting in the civil war. Eventually, the Soviet Union was the power willing to provide advice and support to the KMT.¹¹

In 1920, only after a provincial warlord helped the KMT, Sun Yat-sen managed to restore his authority in Guangzhou. The warlord was Chen Jiongming. Sun Yat-sen was elected president by the remaining members of the 1912 National Assembly, and he approached Moscow, which was willing to provide aid to both the Chinese Communist Party (CCP) and his government.

A Dutchman would be first to contact Sun Yat-sen on behalf of the Communist International (Comintern). Hendricus Josephus Franciscus Marie Sneevliet, known as Henk Sneevliet, or 'Maring', was born in Rotterdam, Netherlands. The son of a cigar maker, he had joined the Social Democratic Workers Party. In 1920, he contributed as a senior member of the National Labour Secretariat in organising a mass transportation strike. He attended the Second World Congress of the Comintern in Moscow as a representative of the Partai Komunis Indonesia (PKI). Lenin did not hide his admiration for Sneevliet and dispatched him to China to help found the CCP. The Dutchman urged the Chinese communists to form an alliance with the KMT.¹² Sun had misgivings about allying himself with the CCP, but he had no other choice; he was desperate for aid and allies and Moscow wanted also to have an ally in the charismatic personality of Sun.

By January 1923, Sun had concluded an initial agreement with the Soviet Ambassador Adolph Abramovich Joffe, the chief negotiator of the Brest-Litovsk treaty of 1917 with Imperial Germany. The SIS had two well-placed agents in Shanghai who had access to information on the negotiations between Sun Yat-sen and Joffe. They reported that the Russians offered financial and moral support in return for three conditions: recognition of their government by Sun Yat-sen and KMT, an 'open alliance' of both parties and for Bolshevik propaganda not to be hindered in China. Sun Yat-sen did not agree with the third term, but both parties concluded that an agreement would be possible once his KMT government had defeated the provincial warlords. Sun deemed it expedient to have the CCP as an ally against the warlords. Moscow answered Sun's call for a military academy to educate his party's officers while the Sun Yat-sen University was founded in Moscow.¹³ The Russians and the Chinese nationalists worked to establish the Whampoa Military Academy to be the key place of the future military leaders. General Chiang Kai-shek, an officer trained in Japan who was a disciple of Sun and his trusted adviser in military affairs, was appointed superintendent of

Whampoa. Although he was a communist, Chou Enlai was assigned the political training of the cadets; he recruited cadets for the communist cause in secret, and in the process he acquired a military education – something to be valued by the party in the future.¹⁴

Chiang Kai-shek followed the military profession, attending the Military Academy in Baodin. He went to Japan and studied at the Tokyo Shinbu Gakko, an Imperial Japanese army academy preparatory school for Chinese students, and served in the Imperial Japanese Army from 1909 to 1911. On hearing about the Wuchang Uprising, he returned to China and joined the revolutionary militias and later the KMT.

At Sun's request, Chiang Kai-shek visited Moscow, where Leon Trotsky told him that Soviet troops could not be sent to fight the warlords: advisers, economic aid and weapons would be offered instead. General Vasily K. Blücher, the commander of Soviet Far Eastern forces, was appointed Chiang's chief of staff at the Whampoa. The British general staff was unimpressed with Chiang: 'not a great soldier, although he has received some military training both in Japan and Russia.'¹⁵

In February 1921, Godfrey Denham, the deputy director of the Delhi Intelligence Bureau, working also for the SIS, reached the cosmopolitan Shanghai. By June he had completed a forty-five-page report called 'Bolshevism and Chinese Communism and Anarchism', which charted leftist politicians and their organisations in China. He concluded that the Bolshevik activities in the north of the country and the 'Chinese anarchist party in the south' constituted threats to British commercial interests.¹⁶

Warlord Chen Jiongming turned against his ally Sun Yat-sen. On 16 June 1922, the fighters of the warlord attacked the presidential palace of the Chinese leader in Canton. Chiang Kai-shek, who was in Shanghai, rushed to join his leader – he found him aboard the gunboat *Yongfeng*. Sun had opened a channel of communication with Moscow which had advised the CCP to join forces with the KMT in August 1922, under the call of anti-imperialism. Sun Yat-sen assumed that 'Soviet Russia was the only real and true friend of the Chinese revolution.'¹⁷ The Comintern helped Sun Yat-sen defeat the warlord's army, and he re-established KMT's rule in Guangdong in 1923.

In 1924, a prestigious group of eleven KMT party veterans told Sun that the growing communist influence (of the CCP and Moscow) over his regime was a serious threat that undermined his authority. They claimed that there were secret communist cells at every government and party

level. The KMT was divided into rightist and leftist wings, though both claimed nationalism and social progress as their aims. Nonetheless, for the time being Sun and Chiang were not alarmed by the communists' aspirations. The general praised the Bolsheviks for 'work[ing] for the welfare of their country and the common people, not solely for their private interest.' On 12 March 1925, Sun Yat-sen died of cancer. A power struggle within the KMT commenced.

On 30 May 1925, British and British-Indian police shot at Chinese demonstrators in Shanghai. The 30 May Massacre was followed by demonstrations and unrest in Hong Kong and other cities. Sir Hugh Sinclair, the newly-appointed 'C' of SIS, informed Sir Nevile Bland, the private secretary of the Permanent Undersecretary Sir William George Tyrrell of the Foreign Office: 'in view of the present trouble in Shanghai, it may be of interest to recall that we gave advance information of this in April last, which has already been confirmed up to the hilt by what has actually happened.' Indeed, in April the SIS had sent the Foreign Office 'a translation of a very secret despatch dated 26 February 1925, from the Executive Committee of the 3rd International to its centre in Vladivostok', thus implicating the communists, the Third International in particular, in the troubles in Shanghai. Sinclair insisted on the Soviet hand in these matters. On 25 June, he sent the Foreign Office a report which concluded: 'the unrest is very largely due to the intrigues of the Soviet Government, and has been very cleverly organised by them.' The SIS had a spy in the Soviet consulate-general in Shanghai, who obtained and presented to his handlers copies of the correspondence of L.M. Karakhan, the ambassador. The texts were so polemical that British officers remarked: 'he must have been drunk when he wrote them.'¹⁸ In addition, the SIS informed Charles Palairet, the British minister in Peking, that the Russians were instigating the civil war in China. A photograph of a letter signed by the Russian ambassador, 'procured from a very secret source', disclosed instructions 'to local committee[s] in Shanghai to prevent strikers from returning to work and "to incite labouring masses by meetings"'. Palairet gave this letter to the KMT government.¹⁹

Winston Churchill, at that time Chancellor of the Exchequer, proposed to the Cabinet that Britain warn the Soviet Union that 'if bloodshed should unhappily occur in China as a result of a policy instigated by the agents of Soviet Russia, a breach [of Anglo-Soviet relations] might become inevitable.'²⁰ London feared that Moscow would foment revolts

in Persia and Afghanistan.²¹ Nonetheless, it was the Foreign Office which was right in its assessment, predicting that Chiang Kai-shek and the KMT would turn against the communists and their Comintern allies once they had defeated the warlords and had unified the country.²²

For many junior officers and middle-rank party members, Chiang the soldier was a devoted disciple of Sun Yat-sen; in their eyes he was a leftist who was on good terms with the Soviet Union. On 1 July 1925, the KMT proclaimed a National government at Canton. Wang Jingwei would chair the political council. He would turn into the mortal enemy of Chiang until his death in 1944. Wang Jingwei had studied in Japan on a scholarship of the Chinese government. Soon, he turned against the Qing dynasty and sided with Sun Yat-sen as his most loyal follower and confidant. Wang was inspired by Russian anarchism, and in February 1910 he made an attempt against the life of Prince Chun the regent, the father of Pu Yi. The attempt boosted the revolutionary credentials of Wang.

In fact, Yu Yunji and Huang Fusheng, two friends of Wang, prepared a bomb and placed it in an iron vessel; the explosives were from Japan. Their plan was to hide the bomb in a ditch and to ignite it once the prince was seen exiting the palace. One night in April 1910 they planted the bomb; but while they were wiring it they realised that the cable was too short. They wanted to take the bomb back to their house to fix it, but then some guards came out. The conspirators fled without taking the bomb. When they returned the next night the bomb was missing. Obviously it had been discovered and taken by the palace guards. No explosion had been heard. Yu and another man went back to Japan to buy the explosives for another bomb. At that time, a couple of weeks after the discovery of the bomb, a newspaper announced that Huang and Wang Jingwei had been arrested for the bomb plot. The bomb was examined by a specialist of an embassy who was called by the palace. He concluded that it was powerful and could not be made in China; its technology looked too advanced. The palace guards found the iron works where the iron vessel was made and soon all signs led to Huang's house. Wang was arrested.²³

Wang was detained and then released – apparently after Japanese intervention – in 1911. He remained at the side of Sun Yat-sen and eventually became the leader of the left wing of the KMT.²⁴ Chiang, showing the soldiers' ethos, declined to be appointed member of the political council, and asked for all forces against the warlords to be named the National Revolutionary Army; he made a number of

suggestions so that the forces, under his command, would be ready to successfully confront the warlords.

Nonetheless, inside the KMT anti-communist sentiment was growing. In the summer of 1925, Dai Jitao, an influential journalist who was an early KMT member and the confidential secretary of the late Sun Yat-sen, published two pamphlets: for him communism 'mocked Chinese values and threatened its social order.' He wrote to Chiang warning him of communists' infiltration of the KMT; however, this only served to make Chiang angry. He appointed Chou Enlai (a high-ranking CCP cadre, later the premier of the People's Republic of China) chief commissar in the First Division of the most loyal First Army Corps. Chiang who was no leftist, but he needed forces for his expedition and insisted that the alliance with CCP and the Soviet Union was for the benefit of his country.

At the plenum of the Central Executive Committee in November 1925, right-wing KMT members agreed to purge the CCP from the KMT and to dismiss Mikhail Markovich Borodin, Moscow's chief adviser, who had mediated for the 'United Front' alliance between the KMT and the Chinese Communist Party. For some years, Borodin was followed by British intelligence. In 1922, he was arrested in Glasgow and imprisoned for six months on immigration regulation violations. Borodin was born in a Jewish family in Yanovich, Belarus in 1884. He joined the *Bolsheviks* in 1903 and was an associate of *Vladimir Lenin's* underground. Borodin spent 1919 to 1922 in *Mexico*, the United States and the United Kingdom as a Comintern agent. Soon after his release and his return to Moscow, Lenin assigned him to China. Borodin headed the Soviet advisers in Guangzhou, where Sun Yat-sen had established his government. Borodin persuaded the KMT to introduce Leninist principles of *democratic centralism*. Among the new Chinese institutions he helped establish was the *Peasant Training Institute*, where the young Mao Tse-tung was an instructor, and the *Whampoa Military Academy*. Borodin was careful in not siding openly with the CCP and arranged for advice and weapons shipments for the KMT. Eventually, he supported the left wing of the KMT, thus becoming the target of Chiang Kai-shek, who still hesitated to turn against him and Kremlin.²⁵

At that time in Kwantung the KMT and Borodin had agreed for a scheme of an intelligence school for Chinese cadre with Borodin acting as an instructor. The aim of the school was 'to train theoretically chiefs of counterespionage and intelligence groups, also ordinary agents and

plenipotentiaries [delegates] of representatives' in secret intelligence assignments. The school was divided into the Counterespionage Section and the Intelligence Section, and all courses lasted three months. The students took entry examinations, with one requirement being a working knowledge of a European language.²⁶ Russian concepts and spy tradecraft enriched Chinese knowledge of espionage and intelligence.

China was the place where seasoned Soviet operatives would gain invaluable experience. Naum Isakovich Eitingon, an OGPU spy was sent in Shanghai and later in Peking and Harbin. Eitingon successfully liberated arrested Soviet military advisers in Manchuria. In July 1929 during the Sino-Russian crisis over the Eastern Railroad, Eitingon was dispatched for intelligence gathering. Later, Eitingon was one of the operational organisers of Leo Trotsky's assassination in Mexico and was involved in an assassination attempt against the German ambassador in Turkey, Franz von Papen.²⁷

Stalin asked Chiang Kai-shek for the campaign of the KMT against the North China warlords to be delayed. He was making his own calculations: not to provoke the Japanese by defeating the Chinese warlords in Japanese-claimed Manchuria. The weak China was considered a buffer between the Soviet Union and Japan. Stalin also sought to gain more time for the CCP to prepare to claim power by itself. Chiang was surprised when he read pamphlets against him. Evidently, they were authored by communists. Some in the KMT cadre feared that Wang Jingwei, in alliance with the CCP and Moscow, was plotting to oust Chiang. Wang called for Chiang to go to Moscow and consult with the Soviets on the campaigns against the warlords. According to Chen Lifu (at that time the confidential secretary to Chiang), the general was warned by a member of the Zhejiang Central Executive Committee of CCP after midnight on 18 March 1926 that he was a target of kidnapping by the communists employing the *Zhongshan*, a gunboat of the Revolutionary Navy. Chou Enlai, at that time in Guangzhou, got wind of Chiang's intentions to raid the Russian consulate and compounds and warned the Russians.²⁸

Chiang declared martial law in Canton and arrested the crew and Chou Enlai; his troops entered the Soviets' compounds, arresting diplomatic and military personnel. Chiang decided that now was the time to fight Wang Jingwei and the left wing of the KMT. Communists were expelled from the Whampoa. Eventually Chou Enlai, amongst others, was released. Neither Chiang nor Stalin aimed to break relations.

The KMT Executive Committee approved a turn against the CCP, and for Chiang to be assigned the chairmanship of the Military Council. Wang was defeated and had to go to Shanghai and then to France. His confrontation with Chiang was just postponed. The Kremlin did not change its policy towards Chiang because Stalin deemed the CCP too weak to offer an alternative. Chiang campaigned successfully against warlords Wu Peifu and Sun Chuanfang.

In early 1927, the CCP and the left wing of the KMT took a great – and fatal – risk: it moved the KMT's government from Guangzhou to Wuhan.²⁹ The CCP leaders, amongst them Zhao Shiyao, Luo Yinong and Wang Shouhua, inspired by the key episodes of the Bolshevik revolution, assumed that the party should rebel in the urban centres, abolishing the remaining warlords' rule and thus creating a *fait accompli* for the nationalist forces of Chiang Kai-shek who officially were their allies. On 19 February 1927, a communist rebellion took place in Shanghai, but the forces of warlord Zhang Zongchang – known as 'Dog Meat General' – massacred the rebels. Many were beheaded. The CCP pushed for a strike involving 100,000 workers. The day of the new uprising was set for 21 March. Meanwhile the nationalist armies were approaching Shanghai. The warlords were losing their war in the rural areas.

By the evening of 22 March, the CCP had control of the Chinese part of the city; the International Settlement and the French Concession remained under international rule. On 22 March the SIS, which had sources in the Soviet legation, reported that Borodin was concentrating on winning over the Chinese peasantry. According to secret instructions taken to Peking-Soviet legation and communicated to the representative of the Soviet mission and communist groups at Hankow, 'they should work in collaboration with Borodin, to examine India and to report on the possibility of an early introduction into the nationalist government of the Soviet commissariat system of government, as opposed to the present titular system and the adaption of the Soviet Russian constitution to this system of government.'³⁰ The communists wrongly assumed that their victory over the warlord in Shanghai was the beginning of their revolution. In their turn, Chiang Kai-shek and the KMT were not willing to compromise. The epic war for the future of China was about to begin.

CHAPTER 1

SPIES UNLEASHED

Controlling the organised criminal gangs, such as the infamous Green Gang, was the key to controlling Shanghai, the 'Paris of the East', the legendary cosmopolitan city of China. But the price of the gangsters' cooperation was high.

By early April 1927, Chiang Kai-shek had reached the outskirts of Shanghai with only 3,000 troops and was staying in a large villa in the French Concession. The main force of his self-proclaimed Revolutionary Army was in Nanking, about to confront the communists. The always-calculating Chiang sought a local alliance with the underground in order to raise his chances of success. Du Yuesheng, a staunch Confucian nicknamed the 'Big-Eared Du', led the Green Gang of Shanghai. Du had financially supported Chiang for many years, and after secret talks with the French chief of police – who offered Du's gang arms in return for not interfering with his activities – Du keenly offered his gunmen to Chiang. Many communist cadre did not believe that Chiang would turn against them.¹

Stalin had secret intelligence to the effect that the KMT would destroy the CCP. On 1 April he told his associates, 'we are told that Chiang Kai-shek is making ready to turn against us again. I know he is playing a cunning game with us, but it is he that will be crushed. We shall squeeze him like a lemon and then be rid of him'. Stalin urged the CCP to hide their weapons, to prepare for going underground.² In Shanghai, Hsueh Yueh, a communist commander, urged for a raid against Chiang's villa, and his arrest, while he had a small force at his disposal. The Central Committee of the CCP hesitated, incredulous to Chiang's supposed animosity. Hsueh was ordered out of the city.³

On 6 April the Soviet embassy in Peking was raided by warlord Zhang Zuolin, the effective ruler of the old imperial capital. The same day, the Supervisory Committee of the KMT decided to wage war on the CCP. The 'Shanghai Purge Committee' of the KMT was established to direct the purge. The key motive for this decision of Chiang and his loyal lieutenants (who led China into the civil war) was the fear that the Green Gang, and other political factions, could set up an alliance with the CCP against the anti-communist KMT. In fact, many communists were gang members, for example Wang Shouhua, who led the Shanghai Federation of Trade Unions.⁴

Chiang's soldiers joined forces with the Green Gang members, who were under the control of Du. The gang members wore blue denim with white armbands that bore the character for labour. They raided the Chinese part of the city that was under communist control, as well as the International Settlement, ruthlessly hunting their opponents. The arrests and executions of CCP members commenced in the early hours of 12 April. The communists were surprised by the onslaught. Wang Shouhua, a communist labour leader, was murdered in cold blood. Chou Enlai was arrested and mistreated. The purges spread through Canton, Guilin, Ningbo, Amoy and elsewhere. Chen Lifu, at that time the personal secretary of Chiang Kai-shek and for decades one of his close associates, admitted later: 'It was a bloodthirsty way to eliminate the enemy within. I must admit that many innocent people were killed.' Six days later, Chiang Kai-shek proclaimed the formation of a KMT government in Nanking, headed by Hu Hanmin. Eventually, Chou Enlai was released on Chiang's orders.⁵ The KMT troops and militia defeated the communists in the urban centres.

Nonetheless, dozens of well-placed moles within the new KMT government and security services ensured a flow of vital information to the CCP and its Red Army, helping them to survive the Nationalist Army's campaigns against their base areas until the strategic retreat, the Long March of 1934–35. The purges of CCP members by KMT in 1927 paved the way for the CCP to reorganise the intelligence and security apparatus for espionage and the protection of their cadre.⁶

Chou Enlai was appointed head of the Central Military Department of the CCP. The Work Section of Special Affairs of the Central Military Department was called to provide for the protection of CCP leadership. It was claimed that the Central Military Department was

involved in the arrest and execution of a British spy who made a bid against the lives of members of the Soviet Advising Delegation and provided for the protection Mikhail Markovich Borodin, the Soviet adviser to the KMT, until his return to Moscow.⁷ A few months later, in November 1927, the CCP set up the Special Services Division (*zhongyang teke*, the *teke*) – this was the main organisation for espionage and counterintelligence in KMT-held territories; meanwhile, the Commission for Suppressing Counterrevolutionaries operated in the CCP-held areas.⁸ Despite the KMT's offensive and success in the city, Chiang Kai-shek had realised that the communists were now holding rural territory, creating a popular base for continuous uprisings.

The Special Work Committee was chaired by Chou Enlai and included first communist spymasters Chen Yun, Pan Hannian, Guang Huian and Kang Sheng. In August 1931, Chou was assigned to Jiangxi Province and Kang was assigned the chairmanship of the Special Work Committee for two years, overseeing espionage in Shanghai and the rest of territories held by the nationalist regime. Kang Sheng would not remain a CCP functionary but turn into the secret services supremo who instigated terror, purges and the Cultural Revolution. Born to a landlord family in 1898 and given a classic Confucian education, Kang never respected the moral code that he was taught. As a teenager, he learned the martial arts and swordsmanship of the infamous *liumang* (hooligans). In 1924, he went to Shanghai and joined the CCP. Once he had graduated from the university of Shanghai, he worked undercover as a labour organiser: he had both a fighter's and an intellectual's credentials. In June 1927, he was appointed member of the new Jiangsu Provincial Committee. Within the party, Kang sided with Li Lisan, a leader supported by Moscow and the Comintern. With Li's backing Kang quickly became director of the Organisation Department of the Jiangsu Provincial Committee. It was clear that the Chinese communist cadre was split between those who were pro-Moscow/pro-Comintern, and those who remained suspicious of the applicability of Soviet advice in China. Among the latter was Mao Tse-tung.⁹

Kang Sheng had his own private network of spies which originated in Shandong. While on surveillance in Shanghai, he disguised himself as either a rickshaw puller or a ticket seller for the British Tramways Company. He never slept in the same safe house for a second night, always relying on his network for his safety.¹⁰

In March 1928, the Special Branch detective Patrick Givens of the Shanghai Municipal Police (SMP) arrested Luo Yinong. It was discovered that in the summer of 1927 Luo and Evgenin Kojenikov, a Russian national had developed a plan to kill Chiang Kai-shek, but this was not authorised by Borodin. The SMP counted that at least six people had been murdered by communists in the summer of 1927 in Shanghai International Concession.¹¹

Chiang Kai-shek was a man known for his short temper who believed strongly in military discipline. Nonetheless behind his military uniform was a character ready to negotiate and gain support from the powerful families of the land. His marriage to Soong Mayling (the sister of Ching-ling) guaranteed him constant, and abundant, financial support. This man of diplomacy in a general's uniform had become the protégé of Sun Yat-sen, and had witnessed both the intrigue and the spying of their opponents. In public Chiang proved himself an authoritarian and stubborn leader and teacher. In fact, Chiang based his rule on a continuous compromising with power factions (such as the Soongs and the clique of Chen Lifu and his brother), the underworld (the Green Gang) and warlords/generals. Chiang was not a suspicious spymaster. He believed in the teachings of both Confucianism and Christianity, creating his own understanding of the value of the benevolent leader and discreetly seeking praise, respect and flattery.¹²

Only when Chiang Kai-shek realised that the communists had gone underground did he think of establishing a modern secret service, beyond the military intelligence bureau of the general staff. On 4 January 1928, Chiang Kai-shek established the Liaison Group, an intelligence unit manned by ten officers – Whampoa graduates, his former 'students' – under his command headquarters. Chiang picked up Dai Li to be his liaison with the group – in effect, he was its leader.

Dai Li (born Dai Chunfeng) graduated from Wenxi County Elementary School. Encountering absolute poverty, he left his house when he was sixteen-years-old and joined various gangs. Eventually he found himself in Shanghai, where he worked for Du Yuesheng, the Green Gang leader. Through Du he met Chiang Kai-shek, but he did not cultivate a connection. He returned to his hometown and in 1927, after the suggestion of a friend, he applied to the Whampoa Military Academy. Du Yuesheng wrote him a letter of recommendation, and soon Dai entered the ranks of the cadets of the First Regiment of the Sixth Class of the

Whampoa. In the Whampoa, Dai Li studied communism (before the purge of April 1927); in Dai Li, therefore, Chiang found an able and willing spy. The young hooligan and gambler turned himself into an obedient servant and decided not to graduate from the Academy, thus depriving himself of the chance of a military career. Chiang had an aide de camp who was well-versed in secret-intelligence gathering and torture methods. Years later, Captain Milton Miles of the US Navy, who had concluded an agreement of training and advice with Dai Li, described the spymaster: 'he was a white-faced man, rather flat nose, lots of gold teeth in front of his mouth. I found out later he had his teeth knocked down his throat by the Communists in South China and he had them put back in, in gold. He had dark black hair and wide-set eyes . . . I found out that he was a ruthless man . . .'.¹³ At that time, Miles did not know how ruthless Dai Li was nor the extent to which his humble origins isolated him from the elite decisionmakers close to Chiang Kai-shek.

From 1928 to 1931, Chiang had only one official secret service – the Special Investigation Group of the Central Headquarters under Chen Lifu – for espionage and the purging of communists within the government and the KMT. Dai Li led the Liaison Group and went on to lead the Second Section of the Special Investigation Group, spying on the military. He developed personal networks – something that other influential leaders, like Chen Lifu, also did. Chiang Kai-shek was shrewd, and had foreseen this situation. He wanted to have multiple intelligence services competing for money, authority and personnel in order to preserve his rule as the final arbiter. For example, Xu Enzeng, who led the First section, spying and arresting communists, meanwhile fought to preserve the interests of the 'CC clique', the powerful politico-military group of Chen Lifu and his brother.¹⁴ On 1 April 1932, after the Japanese intervention in Manchuria, Chiang Kai-shek established the 'intelligence organ for military affairs', an espionage and communications organisation.¹⁵

Whenever an intelligence chief fell from grace and was condemned for corruption, the pieces and networks of his intelligence group were picked up by the rival intelligence actors (such as Dai Li) who silently and gradually acquired huge empires of petty spies in republican China, much to the annoyance of Chen Lifu and the Soongs, who had their own armies of spies. The powerful politico-paramilitary organisations the Society for Vigorous Practice and the Renaissance Society operated

within the KMT, competing with – not to mention spying on – each other. The Blue Shirts organisation belonged to the Renaissance Society. Its members admired fascism and Nazism; they raided trade union offices and organised mass demonstrations to terrorise the workers. On 26 February 1932, Chiang assigned Dai Li more authority and money to establish a Special Services Department (SSD). This well-funded organisation would spy on political rivals, the military and the communists. The SSD belonged to the Renaissance Society.¹⁶

Generally, the SSD always came second to the powerful CC clique, which for ten years dominated the KMT Organisation Department, overseeing party and government appointments and gathering intelligence while its leaders accumulated immense wealth. The CC clique competed with the Blue Shirts and the SSD for more money and authority.¹⁷ In 1932, the Blue Shirts developed the Special Operations Brigades for counterinsurgency and espionage in rural areas claimed by the communists. The troopers were trained in espionage, raids tactics and propaganda, and were led by Chiang's former bodyguard Kang Ze.¹⁸

In their turn, the communist spymasters introduced strict security rules for party cadre on the hunt: no more than five people should attend cadre meetings, and their maximum time for deliberation would be three hours; the same meeting place (i.e. safe house) should not be used three times in a single week; a party organ meeting should have a maximum of seven attendees; and, should a member be arrested, all others should hide immediately. The Politburo conferred in safe houses in the International Settlement in Shanghai: on the ground floor women enjoyed modern music and played cards; meanwhile, on the upper floor, 'waiters' served the 'customers'. Of course, these were really armed security who, in the event of a police raid, were ready to protect the Politburo central committee members who conferred.¹⁹

By early summer 1927 the communist spymasters commenced retaliation. The Shanghai Municipal Police (SMP) started investigating assassinations and attacks against nationalists and former-communists-turned-police-informers. The Red Squads undertook these attacks; they were called 'Dog-Beating Corps'. The demand for hitmen had risen; thus members of the Shanghai underworld found another employer: the CCP. The gunmen dressed like beggars, peddlers and technicians. Some victims were left on the street for passers-by to witness their deaths;

others were buried secretly. The gunfights took place at the French Concession, the greater Shanghai and the International Settlement.²⁰

In April 1928, the Intelligence Cell was established by the CCP, targeting the Shanghai Municipal Police and the KMT's Shanghai Garrison Command.²¹ The Cell was commanded by the resourceful risk-taker Chen Geng. Born in 1903 to a wealthy landlord family in Hunan, he joined the army of a warlord at the age of thirteen. After five years he abandoned the military life for a desk clerk vacancy at the Hunan Railway Bureau. Chen joined the Communist Party in 1922, where he met his fellow Hunanese Mao Tse-tung. Soon Chen attended the Whampoa Academy, distinguishing himself as one of the top cadets. Chiang was impressed with Chen and placed him in his own garrison. In October 1925, while the CCP and KMT had formed an alliance on a campaign against the warlord Chen Jiongming and others, Chiang's vanguard force was ambushed and after heavy casualties started retreating. The generalissimo himself stood his ground and out of despair tried to commit suicide. It was Chen who, surprising him, took his pistol by force and carried him away from the battlefield. Chiang held the brave Chen in a high regard. But Chen became a mole of the CCP within the KMT military in Shanghai.

In April 1928, the SMP raided a CCP safe house and arrested Luo Yinong, one of the communist leaders of the March 1927 uprising. Chen Geng sought to examine the breach of security which led to the raid. Gu Shunzhang, a communist spymaster who earlier had been a Green Gang member, learned that a beautiful Chinese German-speaking woman had approached a Special Branch officer at the Louza police station, telling him that she would provide him with a list of the names of 350 communist party members. In return, she wanted 50,000 Chinese dollars and a foreign passport. The woman offered him the location of a safe house to show him that she was in the know. Thus the SMP raided the house. Chen Geng identified the woman as He Zhihua, the former wife of Chu Teh (Zhu De), the top military commander of the Red Army and close associate of Mao until his death. Chu Teh and He Zhihua had both been in Germany in the mid-1920s. Chen and Gu geared up to claim the list. Escorted by Red Squad hitmen, they surprised her and her lover in their house. They soon found the list they were looking for and opened fire against the couple. The shots were masked by Red Squad members firing firecrackers on the street outside.

The man was killed, while He Zihua survived. However, she was not protected by the SMP, and her whereabouts remained unknown after that episode which cost her the list and the life of her lover.²²

During the same period, Chen recruited a mole in the KMT Investigation Office of Shanghai, Bao Junfu. Bao was educated in Japan; he was well known to Japanese journalists, and he kept contacts with the SMP. He offered via a communist friend to meet with Chen, who provided him with a bodyguard/liaison. Bao was promoted to 'special representative' of the Investigation Office in Shanghai. He shared information with Detective Inspector Robertson of the SMP. Bao employed Tan Shaoliang, a Chinese SMP clerk, as his informer. In his turn, Chen Geng devised a method for the KMT secret service to kill communist defectors (an assignment of the Red Squads): once Chen was informed that a communist was in KMT custody and was about to defect, he gave Bao falsified evidence so that he could claim that the defector was a communist plant. The KMT agents would brutally interrogate him and, not believing he could be innocent, execute him.²³

Song Zaisheng was a secret political investigator in the Wusong Shanghai Garrison Command. The Green Gang bribed him with opium each month. Soon he was promoted in the KMT security hierarchy in Shanghai. He was friends with a Chinese policeman of the French Concession, Fan Guangzhen, who informed Song when the French police were planning to raid a communist safe house. Song was also approached by left-oriented Chinese who had turned against communist leaders like Li Lisan. In reality, Song was a mole handled by Chen Geng.²⁴

In March 1933, Chen was discovered and arrested by the KMT. Surprisingly, his life was spared. Chiang, the leader who believed in benevolence, remembered the man who had saved him. Chen was put under house arrest in Nanking but soon escaped with the help of other CCP members. Chiang did not unleash the security services against Chen. Aboard a train en route to the CCP stronghold of Jiangxi Chen was recognised by Qian Dajun, his former instructor at Whampoa Military Academy. Qian invited Chen into his coach; initially he pretended to be a businessman, but to no avail. Eventually, they both sat at the table and discussed matters. It was a surreal meeting of two enemies. Qian boasted that he was dispatched by Chiang Kai-shek to Jiangxi to help plan another campaign against the CCP. After a while Chen excused himself and left Qian's coach. He hid in another wagon but soon was discovered by one of

Qian's officers who told him that his general was still waiting for him. They ate dinner and Qian let Chen escape, later arguing that Chiang was about to order Chen's release anyway (if he was still in custody) and certainly would not have executed him. Eventually, Chen reached the base areas in Jiangxi and followed Mao in the Long March.²⁵

Nonetheless, KMT counterintelligence did not detect Qian Zhuangfei, Li Kenong and Hu Di, the communist moles who infiltrated signal communications departments. Qian studied radio communications at the Shanghai Telecommunication Administration. On graduating, he took up a post at the same organisation. The mole was trusted by Xu Enzeng, the director of the Shanghai Telecommunication Administration who was the cousin of Chen Lifu and an antagonist of Dai Li. The industrious Qian was appointed Xu's confidential secretary and 'offered' new opportunities as a spy. In February 1928, the KMT's Central Organisation Department was established as the KMT secret service. Enzeng was appointed its head in Nanking. Qian essentially became the second most powerful figure after Enzeng. His access to top-secret documents was absolute; he was even entrusted with correspondence for Enzeng. Qian disclosed intelligence about Chiang Kai-shek's plans against the Red Army of the CCP (also known as 'encirclement campaigns'). The KMT Investigation Division established a double-agent organisation with Qian as its *de facto* head. After the direction of Chou Enlai, Li Kenong joined Qian in his game. Li Kenong reached Shanghai in 1928 to work under the cover of a journalist with the alias Li Zetian, and he was hired by a KMT radio communications establishment.²⁶ Both Qian and Li Kenong accessed Xu Enzeng's cipher. In addition, the Intelligence Cell penetrated the headquarters of the KMT's Shanghai Garrison Command and the headquarters of the Shanghai International Settlement Police.²⁷

Once Li Kenong was informed that Xu Enzeng would establish local intelligence branches to support the Investigation Division in several cities, he informed the Intelligence Cell. The Cell ordered him to offer his help to Xu in this task. The new local branches operated under the cover of news agencies in Nanking and Tianjin. Eventually, Hu Di, the third mole, was ordered by Xu to head the secret branch in Tianjin under the cover of the Great War News Agency.²⁸

In March 1931, in the Jiangxi–Fujian Soviet (the largest component territory of the Chinese Soviet Republic proclaimed in November 1931), the CCP established the Political Security Department (to be renamed

the State Political Security Bureau, SPSB). It undertook the functions of the previous Commission for Suppressing Counterrevolutionaries. It initiated large-scale purges of people accused of espionage and treachery. The Futian incident had shaken Mao Tse-tung's trust. Thousands of Red Army soldiers had mutinied, and Mao ordered them executed. Fear of KMT secret agents in CCP-held territories spread. Party cadre wrongly assumed that the 'Anti-Bolshevik Corps' (AB Corps) was a secret army of the KMT within the Red Army; the real – and weak – AB League was led by Duan Xipeng and Cheng Tianfang.²⁹ The Political Security Department and State Political Security Bureau, modelled on the structure of the Soviet GPU and the NKVD, recruited thousands of spies to keep the Soviets safe from spies (real and imagined). These agencies had local branches in provinces and counties, and they kept a close eye on the CCPs and local party services in districts and towns. Red Army ranks were also watched. The State Political Security Bureau established branches' and informers' networks at all levels of command.³⁰ In the period 1931–34, in the Jiangxi, Hubei, Henan, and Anhui CCPs' base areas, the 'counter-revolutionary' terror led to the execution of thousands of innocent people.³¹ Within the Red Army, the networks of informers were innumerable. Li Mingrui, the commander of the Seventh Red Army, made a bid to defect to the KMT, but he was killed by his SPSB bodyguard in November 1931.³²

The CCP spies had already infiltrated KMT security services but not yet Chiang Kai-shek's high command. The fear of more defections to the KMT, and of more arrests and executions, compelled the CCP leadership to organise its sixth congress in Moscow in 1928. Stalin, who did not want to break with Chiang Kai-shek, authorised for the CCP to receive 15,000 rifles, together with 10 million cartridges and 30 machine guns, to resist the KMT's onslaught. Playing a double game, he propagated the idea that insurgency was the only option. In August 1927, the Comintern dispatched an agent to Shanghai with US\$300,000 for the CCP. Stalin's aid was meagre in comparison communists' needs.³³

The Russians sounded willing to help the Chinese communists in intelligence training as well as signals intelligence: at that time the CCP signals intelligence capabilities were almost nonexistent. Chou Enlai, who was a communist with official military training and had risen to the status of an intelligence supremo, held discussions with the Soviets. It was agreed that ten CCP cadre would be trained for two years at

Leningrad's Frunze Military Communications School and the Comintern Radio School in Moscow, starting from summer 1928. Ciphers were handed over for safe communication between Moscow and the CCP. But the Chinese students were not trained in cryptographic methods; only in 1942 did the Soviets and the Chinese discuss cryptography. That same year, the 4th (Communications) Section of the SSD commenced training personnel in signals intelligence in Shanghai. The twenty-three-year-old Li Qiang, a former civil engineering student, led the 4th Section. He was assisted by Zhang Shenchuan, who, under a false name, studied at a Shanghai radio school while from the same building operating the communications office of the 6th Army of the KMT. Eventually, Zhang was recruited in the office for night shifts. He copied codebooks, call signs and frequencies used by the KMT. This signals intelligence mole had access to radio equipment the sales of which was under strict KMT control.³⁴ Li Qiang recruited agents to buy radio components and spare parts in Shanghai and Hong Kong. Slowly, foreign language manuals were translated into Chinese to facilitate the training of new CCP operators.

By spring 1928, Peking was controlled by warlord Zhang Zuolin, the 'Grand Marshal', the effective ruler of Manchuria. He convinced Wu Chin, the vice minister of foreign affairs for the police and gendarmerie, to hunt CCP and KMT members seeking refuge in the Russian embassy in the Legation Quarter. On 6 April, 300 police and gendarmes entered the Russian legation and arrested many Chinese, among them Professor Li Ta-chao, one of the founders of the CCP. The policemen were surprised to see the office of the Russian military attaché set on fire. They rushed to save the building and soon discovered documents implicating Russian diplomats and advisers to the KMT in espionage and propaganda. The documents were examined and translated with the help of French and British diplomats (and intelligence officers) and some were published in newspapers. It was revealed that the OGPU had access to some telegrams of the British legation sent to London.

In a letter to the Foreign Office, drafted by Ambassador Sir Miles Lampson and dated 30 July 1928, British involvement in the Chinese raid on the Russian embassy was hinted. Zhang Zuolin was a pro-British, pro-Japanese warlord who had raided the compound but recently died. Lampson wrote: 'The raid on the Soviet Embassy, for the assistance in which he [Zhang] remained, I think, always grateful to me,