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WITH A NEW INTRODUCTION BY LYMAN P. VAN SLYKE

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be made in terms of U.S. currency—that is, rates reflecting commensurate value in Chinese currency, at given times, for U.S. dollar aid provided. A rapid decline in the value of the new gold yuan and reluctance of the Chinese Government to negotiate formally on a basis other than official exchange rates led, pending a settlement of this question, to deposits being made as advances, without final agreement before the end of 1948 on commensurate value in terms of U.S. dollars.

Deposits and Withdrawals

As of December 31, 1948, deposits into the Special Account totalled, in round numbers, 157,289,000 gold yuan, equivalent (on the basis of rough tentative estimates prior to agreement on applicable exchange rates) to US\$9,543,000. Withdrawals on the same date totalled, in round numbers, 150,333,000 gold yuan, equivalent, according to similarly tentative estimates, to US\$5,839,000—the equivalent of approximately \$1,342,000 being for ECA administrative expenses in China, \$2,498,000 for administrative expenses of the Chinese Council for United States Aid, \$1,803,000 for special projects, \$53,000 for engineering services, and \$143,000 for expenses incurred by the Joint Commission on Rural Reconstruction.

Before the end of 1948, the local counterpart funds thus jointly managed by ECA and the Chinese Government had enabled many worthy institutions and projects to continue operations in spite of inflation and civil war.

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Summary of United States Government Economic, Financial, and Military Aid Authorized for China Since 1937

[WASHINGTON,] March 21, 1949

Since the commencement of hostilities between China and Japan in 1937 the United States Government has authorized aid to China in the form of grants and credits totalling approximately \$3,523 million, of which \$2,422 million has been in the form of grants and \$1,101 million as credits. About 40 percent of the total, or \$1515.7 million, was authorized prior to V-J Day to contribute toward the stabilization of China's wartime economy and to enable the Chinese Government to obtain military, agricultural and industrial goods essential to the conduct of the war with Japan.

United States Government grants and credits to China authorized since V-J Day have amounted to approximately \$2,007.7 million, representing sixty percent of the total, of which \$1,596.7 million has been as grants and \$411 million on credit terms. This aid was designed to assist the Chinese Government in the reoccupation of liberated areas and the repatriation of Japanese, to meet some of China's urgent relief and rehabilitation needs, and, in the case of the present ECA program, to help retard the rate of economic deterioration in China and to encourage the adoption of effective self-help measures on the part of the Chinese Government. The Chinese Government has elected to use \$125 million authorized by the China Aid Act of 1948 (included in the total of grants above) to purchase items of a military nature.

The totals of United States aid given above do not include sales to the Chinese Government of United States Government military and civilian-type surplus property which have been made since V-J Day, except where these sales were made on credit terms. In such cases, the amount of the credit involved has been included in the total of United States credits authorized. Surplus property

with a total estimated procurement cost of over \$1,078.1 million has been sold China for an agreed realization to the United States of \$232 million, of which \$95.5 million is to be repaid on credit terms. There are no available estimates of the fair value of this surplus property at the time of its sale. Neither do the aid totals include certain ammunition transferred by the United States Marines in connection with their withdrawal from north China.

United States aid to China reviewed herein does not reflect assistance through provision of advisory personnel in cultural, economic and military fields; nor does it include United States contributions through certain United Nations' programs in China—the International Children's Emergency Fund, the International Refugee Organization, the World Health Organization, and advisory social welfare services.

The various measures of United States Government aid authorized for China since 1937, together with the miscellaneous sales to China of United States Government surplus property, are summarized in the table below and described briefly in the text that follows.

United States Government economic, financial and military aid to China since 1937

[In millions of U. S. dollars]

	Grants (1)	Credits (2)	Sales of U. S. Government Excess and Surplus Property	
			Procurement value (3)	Realization by U. S. Initial (4) Ultimate (5)
<i>Pre-V-J Day:</i>				
ECONOMIC				(Sum of Columns 2 & 4)
1. Export-Import Bank Credits Authorized		\$120		
2. Stabilization fund agreement, 1941		50		
3. 1942 Treasury Credit (PL 442)		500		
TOTAL ECONOMIC AID		\$670		
MILITARY				
4. Lend-lease (\$845.7 million)	\$825.7	20		
TOTAL MILITARY AID	\$825.7	20		
TOTAL PRE-V-J DAY AID	\$825.7	\$690		
<i>Post-V-J Day:</i>				
ECONOMIC				
5. Lend-lease "pipeline" credit		51.7		
6. UNRRA—US Contribution	474.0			
7. BOTRA—US Contribution	3.6			
8. Export-Import Bank Credits Authorized		82.8		
9. Civilian Surplus Property Transfers (Under August 30, 1946, bulk sale agreement)		55	\$900	\$175
10. OFLC dockyard facilities sales		4.1	n. a.	4.1
11. Maritime Commission ship sales		\$16.4	\$77.3	\$26.2
12. U. S. Foreign Relief Program	\$46.4			
13. ECA Program	275			
TOTAL ECONOMIC AID	\$799.0	\$210.0	\$977.3	\$205.3

United States Government economic, financial and military aid to China since 1937—Continued

[In millions of U. S. dollars]

	Grants (1)	Credits (2)	Sales of U. S. Government Excess and Surplus Property		
			Procurement value (3)	Realization by U. S.	
				Initial (4)	Ultimate (5)
Post V-J Day—Continued					
MILITARY					
14. Lend-lease (\$694.7 million)	513.7	181.0			
15. Military Aid Under SACO	17.7				
16. Sale of excess stocks of U. S. Army in West China		20	n. a.	(*)	(*)20.0
17. Ammunition Abandoned and Transferred by U. S. Marines in North China (over 6,500 tons)	(b)				
18. Transfer of U. S. Navy Vessels (PL 512)	c 141.3				
19. Sales of surplus military equipment (total accepted by Chinese Govt.)			100.8	6.7	6.7
20. \$125 Million Grant Under China Aid Act of 1948	125				
TOTAL MILITARY AID	\$797.7	\$201.0	\$100.8	\$6.7	\$26.7
TOTAL POST-V-J DAY AID	1,596.7	411.0	1,078.1	136.5	232.0
GRAND TOTAL	\$2,422.4	\$1,101.0	\$1,078.1	\$136.5	\$232.0

* Down payment covered under item 9. See textual explanation.

b No estimate of total value available.

c Vessels valued at procurement cost.

DESCRIPTION OF INDIVIDUAL CATEGORIES OF U. S. AID

(Paragraph numbers correspond with numbers of items listed in table above)

1. *Pre-V-J Day Export-Import Bank Credits*: Export-Import Bank credits extended prior to V-J Day were general commodity credits, used to purchase a considerable variety of American industrial and agricultural products and services. Repayment was arranged by contracts between United States and Chinese Government agencies for the sale of strategic minerals or wood oil. Of the \$120 million total authorized, \$117 million was disbursed and the balance, approximately \$3 million, expired. Of the amount disbursed, \$112.8 million had been repaid as of December 31, 1948. Credit authorizations were as follows:

	Million
Universal Trading Corporation	\$25.0
Universal Trading Corporation	20.0
Central Bank of China	25.0
Central Bank of China	50.0
Total	\$120.0

2. On April 1, 1941, the Secretary of the Treasury entered into an agreement with the Government of China and the Central Bank of China to purchase Chinese Yuan up to an amount equivalent to U. S. \$50 million to further the monetary and financial cooperation of the two governments and the stabilization of the United States dollar-Chinese Yuan rate of exchange. This agreement did not provide for collateralization of such purchases, as did a previous stabili-

zation agreement of 1937 which therefore cannot be considered as representing aid to the Chinese Government in the strict sense of the term. It was further agreed in connection with the 1941 agreement that a Stabilization Board be established, to which the Chinese Government banks were to contribute \$20 million. Purchases of Chinese Yuan under this agreement amounted to U. S. \$10 million and were repaid in April 1943.

3. *1942 Treasury Credit (PL 442)*: On February 7, 1942, Congress passed Public Law 442, authorizing the Secretary of the Treasury, with the approval of the President, to make available to China funds not to exceed \$500 million and promptly made appropriations for this purpose. An agreement of March 21, 1942, between the United States and China established this amount as a credit in the name of the Chinese Government. Between the date of the agreement and V-J Day, the Chinese Government drew on this credit to the extent of \$485 million, the balance having been drawn since V-J Day.

At the time of this congressional action, strategic bases of the United Nations were being lost to the Japanese offensive in the Pacific and southeast Asia, and effective land lines of communication with China were being severed. It was of vital importance to the United States Government that China, which had resisted Japanese aggression for 5 years, should be strengthened and encouraged to continue the war against Japan. Since opportunities for giving effective material aid to China, such as was being rendered to allies in more accessible areas through lend-lease, were not great, the \$500 million credit was characterized by the Secretary of the Treasury and in House Report No. 1739 as "the financial counterpart of lend-leasing war materials."

Funds provided under the agreement of March 21, 1942, were used mainly by the Chinese Government to purchase gold for sale in China as an anti-inflationary measure and to provide reserves for the redemption of Chinese Government savings and victory bonds denominated in United States dollars. A total of \$220 millions was withdrawn in gold, much of which was shipped to China, largely during 1945, to be sold internally in an effort to control inflation by reducing currency in circulation and keeping down the price of gold.

A total of \$200 million was reserved out of the 1942 credit for the redemption of Chinese Government United States dollar security issues. A reserve of \$100 million was established for payment of Chinese United States dollar savings certificates, and another \$100 million was earmarked for the payment of Chinese United States dollar victory bonds. In 1946, this earmarking was abandoned, and the funds became available for imports and other foreign payments as measures were promulgated governing payment of foreign currency bonds held in China which provided that such bonds would be redeemed in Chinese currency. It was also provided, however, that registered bondholders outside China would be paid in foreign currency.

Of the balance of \$80 millions of the credit, \$55 million was spent for purchase of bank notes in the United States, and \$25 million was used to import textiles into China.

Final settlement of the terms of this credit has not yet been negotiated.

4. *Pre-V-J Day Lend-Lease*: China was declared eligible for lend-lease aid on May 6, 1941. During that first year until the blocking of the Burma Road in April 1942, lend-lease aid was aimed especially at improving transport over the Burma Road, which, due to the Japanese blockade, was the only land route into China. Although amounts carried by this route were greatly increased, they were still small. Delivery by air cargo plane from Assam in India over the 18,000-foot hump of the Himalayas, begun in April 1942, was the only means of lend-lease