UNITED STATES POLICIES RESPECTING CONTROL OF LEND-LEASE SUPPLIES TO CHINA; CONSIDERATION OF SUPPLY ROUTE TO CHINA THROUGH TIBET

893.24/1717

The British Embassy to the Department of State[1]

AIDE-MÉMOIRE

The position in regard to civilian supplies to China has been the cause of concern to the U. K. authorities for some time past, and they have been considering what steps might usefully be taken to improve the present somewhat unsatisfactory situation.

As far as the U. K. authorities themselves are concerned they are naturally anxious to do whatever they can, subject to considerations of supply and transport, to meet the orders which the Chinese Government wish to place in the U. K. Under present circumstances, however, they find great difficulty in dealing with individual Chinese orders owing to their lack of information on a number of very relevant points. For example it is important for the U. K. authorities, in present conditions of shortages of materials and production capacities, to know before deciding whether or not to accept a Chinese order the degree of importance or essentiality which should be placed on the particular order. Otherwise there is a risk of valuable production facilities in the U. K. or much needed shipping space being used for articles which subsequently turn out to be of little real value to the Chinese war economy. The essentiality of these Chinese orders can only be established on the spot in China, but at present the machinery for doing so is lacking.

Again, it is important for the U. K. authorities before deciding whether to make supplies available in response to a request from the Chinese, to be sure that a similar order has not been placed elsewhere or duplicated by some other department of the Chinese Government. But at present the absence of information regarding the commercial orders placed or being placed by the Chinese authorities in the U. S. or of the supplies being made available to them under Lend-Lease makes it difficult for the U. K. authorities when considering Chinese requests addressed to them to be sure that no such duplication is taking place.

[1] Received in the Department on March 29; copy transmitted to the Ambassador in China in the Department's instruction No. 662, May 25.

Furthermore as long as the Chinese are dependent upon air transport for obtaining their supplies from the U. K. and U. S., it is inevitable that only a very small proportion of the goods which they want and which the two countries can supply can in fact reach China. It is obviously desirable that the best use should be made of the limited space available for the import of civilian supplies into China and that those supplies which are flown into China should be those which the Chinese most urgently need. It is equally desirable that as long as transportation facilities are so strictly limited, scarce materials or valuable productive capacity should not be devoted to producing goods which have no chance of reaching China within the period during which they are required. However, unless and until some closer coordination between Chinese requirements and U. S. and U. K. supply policy and supply action can be established it will be impossible to achieve these objectives.

Finally it is important that in arranging for supplies to China, regard should be had to the transport facilities, storage capacity, etc., available in India. Otherwise there will be a risk of valuable stores being mislaid or deteriorating, or of an undue strain being placed on transport and other facilities at a time when military operations are laying a heavy burden on them. In the absence, however, of some coordination of information regarding civilian supplies despatched from the U. K. and the U. S. to India for onward transport to China it is difficult to guard against this danger.

It is of course true that the contribution in respect of civilian supplies which the U. K. can at present make to China is small compared with that of the U. S., but this fact does not make the supply problems of the U. K. any simpler—as will indeed be seen from the specific cases of difficulty quoted in the first annex to this note [2]—nor make the need for a full understanding between the U. K. and U. S. on supply policy and supply procedure with regard to China any less.

In the hopes of bringing about an improvement in the situation the U. K. Government suggested in the British Embassy's note of July 27th, 1943,[3] that consideration should be given to the possibility of setting up some machinery in Chungking for the "screening" of Chinese non-military requirements. Subsequently as the U. S. authorities were unofficially informed a tentative suggestion was made in London that some kind of combined Transit Board might be set up in India to supervise the storage and on-shipment of goods arriving in India for China.

[2] First annex not printed; it cited a number of cases where the British Government had found it difficult to deal with requests for supplies from the Chinese Government owing to lack of information.

[3] *Foreign Relations*, 1943, China, p. 503.

The State Department replied on November 27th [4] to the Embassy's communication of July 27th, explaining that the U. S. authorities, though they were anxious to see the principle of joint "screening" extended wherever practicable, thought it premature to set up any formal "screening" machinery in Chungking at this stage.

The State Department added, however, that the U. S. Government would be glad at all times to collaborate with the U. K. Government in any steps which might usefully be taken to facilitate the flow of supplies into China and taking advantage of this assurance the U. K. Government now wish to put forward the following proposals which have been drawn up in the light of recommendations made by Mr. Mair of the British Ministry of Supply who recently visited India and China where he had the advantage of discussions with Mr. Ray of F. E. A.[5] and other U. S. officials.

A. Combined Anglo-American Action in Chungking.

For the reasons set out above the U. K. authorities feel that it is most important to devise some form of Anglo-American examination in Chungking of Chinese civilian requirements which would enable agreement to be reached on the spot with the Chinese authorities on China's essential requirements, having regard to the available transport capacity. The fact that the quantities of such supplies which can actually be delivered are limited by the difficulties of transport seems to make such examination of the requirements all the more necessary. Only by some such procedure can one be certain that the best is being done to meet China's most urgent needs while at the same time ensuring that no unjustified demands are made on U. S. or U. K. supplies or productive capacities. No elaborate machinery would be required. It would be sufficient to have at Chungking representatives of the U. S. and U. K. who would examine with the Chinese authorities their import requirements for a given period from all sources and relate it to the available transport capacity. A member of the British Embassy at Chungking is already entrusted with the task of examining in this way all Chinese demands on the U. K. and he would be available to act as the U. K. representative in any combined examination of requirements of the kind suggested.

B. Combined Anglo-American Consultation in Washington.

It is suggested that some closer liaison should be established than at present exists between the appropriate U. S. Agencies and the interested U. K. Missions in Washington to deal with matters of common interest concerning civilian supplies to China. If such liaison could be effected then perhaps without the necessity of setting up any formal "Area Committee", machinery would be established which

[4] *Foreign Relations*, 1943, China, p. 514.
[5] Foreign Economic Administration.

would provide the means not only for a regular exchange of information on Chinese supply matters but for handling the import requirements agreed on in Chungking. Such a piece of machinery in Washington would enable the U. S. and U. K. authorities to consider these requirements and agree on sources of supply and each country would then be able to make its contribution knowing that there was no duplication and that air transport into China was assured. In regard to the question of sources of supply, the U. K. authorities would propose that in order not to disturb Chinese susceptibilities, the Chinese Government should, subject always to the recommendations of the Combined Boards, continue to make the first selection of source of supply as at present. If that source could not meet the demands then it would be for the U. S. authorities to suggest an alternative. This alternative source would be agreed with the U. K. authorities and then put to the Chinese Government.

This piece of Anglo-American machinery—which might well be organized on a purely informal *ad hoc* basis—would also be useful in providing a place for discussing general questions of supply policy towards China. A number of such questions have recently been posed by the authorities in London and are set out in the second annex to this note. If and when the suggested liaison machinery is set up, these questions might usefully be considered by it. Alternatively the U. S. authorities may prefer to give their views on some of the questions forthwith.

Arrangements in India.

As a result of Mr. Mair's investigations, the U. K. Government have decided that it is unnecessary to pursue further at present the proposal to establish a Transit Board in India. It is considered that the existing arrangements for dealing with goods arriving in India for onward shipment to China are adequate and probably capable of handling a considerably increased volume of supplies.

The U. K. authorities are, however, anxious to devise some official means of exchanging regularly with the U. S. authorities information on non-military supplies for China shipped via India. For the reasons given earlier in this note, such an exchange of information seems highly desirable. It is suggested that the information should if possible cover all civilian goods of U. S. origin—i. e. not only goods supplied under Lend-Lease to China but also civilian stores purchased commercially in the U. S. A. by the Chinese Government through the Universal Trading Corporation or other channels and shipped to India. It is hoped that the information could be furnished at regular intervals in respect of all civilian stores of U. S. origin and destined for the Chinese Government (*a*) stored in India, (*b*) shipped from the U. S. to India, (*c*) transported from India to China. If as it is hoped

the U. S. authorities are prepared to make such information available the U. K. Government will, if desired, be glad to furnish similar information about supplies from the U. K. It is suggested that this information might most suitably be exchanged between the appropriate U. S. and U. K. representatives in India.

BRITISH CIVIL SECRETARIAT

WASHINGTON [undated.]

[Annex]

ANNEX II. QUESTIONS AFFECTING THE GENERAL SUPPLY POLICY TOWARDS CHINA ON WHICH THE UNITED KINGDOM AUTHORITIES WOULD WELCOME AN INDICATION OF THE ATTITUDE OF THE U. S. AUTHORITIES

At the present time the general policy of the United Kingdom authorities in the matter of civilian supplies for China is not to despatch goods to India for on-shipment to China unless there is some prospect of their import into China taking place within a reasonable period. Exceptions to this general rule are occasionally made in cases where for example goods were ordered some time ago and are already in production and for which there is no urgent alternative use elsewhere. The U. K. authorities would greatly appreciate some indication of the views of the U. S. authorities on the following points.

(*a*) Are the United States authorities following a similar general policy to that adopted by the United Kingdom authorities outlined above—i. e. is there a general rule that civilian supplies for China are not despatched from the United States to India unless there is a fair chance that they can be on-shipped to China within a reasonable period? If such a general policy is being followed, does it apply not only to goods furnished under Lend-Lease but also to articles purchased commercially in the United States by the Universal Trading Corporation or any other agency?

(*b*) It is understood that at one time a tonnage limit was placed on the amount of Lend-Lease non-military supplies which were allowed to be shipped each month to India in order to prevent any undue increase in the stockpiles of such materials in India. Is this tonnage limit still in force and if so what is in fact the amount of Lend-Lease supplies which are at present permitted to be shipped each month? Are any other restrictions placed on the quantities of civilian supplies furnished to the Chinese Government under Lend-Lease?

(*c*) Are any restrictions placed on the amount of goods for China which may be obtained from the United States by cash purchase? Is there any tonnage limit placed on the quantity of such cash purchases which may be shipped to India each month?

(*d*) Is it the policy of the United States authorities to refuse requests for supplies put forward by one Chinese Government Department which might be met from goods ordered by another Chinese Government Department and now lying in India?

(*e*) Have the U. S. authorities adopted any policy in regard to supplies for China to be delivered by sea and river on the withdrawal of the Japanese (such as for example Floating Power Stations described in paragraph (*g*) of Annex I)? So far the U. K. authorities have reached no conclusions on this point.

[WASHINGTON,] 29 March, 1944.

893.24/3-3044

Memorandum of Conversation, by the Adviser to the Liberated Areas Division (Moffat)

[WASHINGTON,] March 30, 1944.

Participants: Mr. F. R. Hoyer Millar, Counselor, British Embassy
Mr. John S. Dent, Second Secretary, British Embassy
Mr. Moffat, LA.

Mr. Millar and Mr. Dent called by appointment yesterday at 10 a. m. Mr. Millar stated that London was concerned about Chinese requirements and was anxious to secure U. S. cooperation in ascertaining necessary facts with regard thereto and was pressing for action.

He explained there were three points which troubled them. First, that the Chinese would frequently ask to purchase in the U. K. items which are difficult for them to fill and that London has had no way of learning the actual necessity for the item. On several occasions it has been found that identical requests were made of the U. S. It is embarrassing to London to have to say no, and then find that the U. S. is saying yes. They would like, therefore, a joint screening in Chungking of Chinese requests. The second point is that having screened the actual need of the item requested that there be a U. S.–U. K. conference in Washington to agree upon who shall supply the item. At least, it is hoped that from such a conference the same reply be given to the Chinese and the Chinese not be in a position to play one country against the other. The third point, which is in support somewhat of the other two, is that the British should know what civilian supplies are shipped into and withdrawn from India.

On the last point at first there was raised by Mr. Dent the danger that all these goods created to effective military action in Calcutta, for example, if there should be Japanese bombing; but later it was conceded that the civilian as opposed to military supplies was very

small, and the condition in India not half so bad as had been painted last summer.

During the course of the conversation they agreed that the amount the British were shipping was almost negligible—probably less than a 100 tons a month; but that when the ports opened up and postwar came there would be a different story and they wanted to be prepared.

They believe that FEA is shipping almost nothing not directly related to the military, but they are filled with curiosity and want to know what is going on. London has the idea, they said, that Universal Trading Corporation is buying quantities for cash and is investing heavily in the U. S. for postwar, and they want to know just where we stand and where they stand.

They stated that the *aide-mémoire* [7] which they were leaving covered these points quite fully, but that they wanted to suggest that in addition if any arrangement is worked out Canada should be brought in. They pointed out that Canada had sold and sent the Chinese a quantity of armament—some 6,000 tons—which could not possibly be flown into China. From time to time they may want to participate via mutual aid in military supplies wanted by the Chinese, and may have an interest in such civilian supplies as farm machinery.

They also emphasized time and again that they did not contemplate anything formal; no committee or anything of the sort, just an arrangement whereby we will tell them what orders we receive from the Chinese and they will do the same, with mutual notification of orders accepted, shipments, et cetera. They would like to duplicate in regard to China, the situation they state exists as to Russia, whereby the British pass on to U. S. a list of all orders received from the Russians and which ones they intend to fill; and we send them once a month (British information furnished fortnightly) a list of material shipped.

They suggested that the U. S. might indicate which of the proposed Chinese contracts the U. S. would fill and pass on the balance to the U. K.

They indicated there was no urgency as to a reply, but thought the five months that elapsed before their July *aide-mémoire* was answered was a little too long. They indicated that if FEA would only tell them how much, or more accurately how little, was actually being shipped and it was established to their satisfactiton that other orders were not really in excessive amounts, London would be inclined to lose interest—it was the unknown that was building up in British minds a tremendous Chinese-American trade.

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[7] *Supra.*

893.24/1718

The Canadian Embassy to the Department of State [8]

MEMORANDUM

In the light of information received concerning the political and military situation in China, the Canadian Government is giving consideration to its policy in respect of the provision of further munitions to China. It would be of material assistance in this consideration if an indication of future United States Government policy regarding deliveries of war supplies to China could be secured.

The Canadian Government shipped late in February, 1944, the first consignment under the Mutual Aid Act of Canadian munitions for China, the chief components being 48 Bofors guns and 106 6 pound anti-tank guns as complete batteries with all ancillary equipment, ammunition and motor transport, together with 7,000 Sten and 5,700 Bren guns. Another shipment is being assembled for possible loading in May or June, and substantial orders for further artillery of various types and for automatic weapons are now in production. These munitions are being shipped at Chinese request to the Senior Chinese Ordnance Officer at Karachi. On delivery there title will be transferred to the Chinese Government.

The Canadian authorities are aware that Chinese negotiations with the Soviet Government for the development of the overland route from Karachi to China through Sinkiang [9] have been suspended, and they have no information on Chinese intentions for moving the munitions from Karachi. They understand that virtually all the army equipment which is being sent by the United States to India for China is consigned to General Stilwell,[10] who is charged with seeing that it is sent where it can be used effectively against Japan. The Canadian equipment, complete and ready for use, may be the only ordnance over which the Chinese Government has full control after its unloading in India.

The guns requested by China are not in short supply although there are certain shortages of ancillary equipment and motor transport. The guns, therefore, are not urgently needed for use by other forces against the enemy.

All Canadian supplies made available under the Mutual Aid Act must be furnished "in accordance with the strategic needs of the war." The Combined Chiefs of Staff in Washington are being consulted

[8] Handed to the Chief of the Division of Chinese Affairs by the Minister Counselor of the Canadian Embassy on April 6.

[9] For correspondence on this subject, see *Foreign Relations*, 1943, China, pp. 590 ff.

[10] Lt. Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces in China, Burma, and India.

through the Canadian Joint Staff on the desirability on strategic grounds of continuing these shipments.

The items included in the first consignment and a further programme for future shipment have been cleared with the United States authorities through the Joint War Aid Committee, United States and Canada.

It is felt, however, that other than strategic considerations are involved in this matter. For this reason, the views of the Department of State in regard to questions of policy concerned would be appreciated.

It should be added that the Chinese Government has pressed the Canadian authorities strongly for provision of the munitions referred to above, and there would be some embarrassment in reducing or discontinuing the Canadian programme. Nevertheless, the Canadian authorities do not wish to add to Chinese stockpiles in India until they are better satisfied that the first shipment, now at sea, will be employed "in the joint and effective prosecution of the war".

WASHINGTON, April 6, 1944.

893.24/1711

The Director of the Office of Strategic Services (Donovan) to the Secretary of State

WASHINGTON, April 14, 1944.

MY DEAR MR. SECRETARY: Upon the suggestion of Major I. A. Tolstoy who was head of a mission in Tibet in 1942 and 1943,[11] I submit for your consideration the possibility of sending certain supplies from India into China by way of Tibet by means of pack animals. I am also writing to Mr. Lauchlin Currie of the FEA, to whom Major Tolstoy has spoken concerning this matter.

British authorities in India have estimated that in a year's time, with proper organization, transportation of 4,000 tons yearly could be handled in that manner.

It is evident that this amount could be of little material assistance to the armed forces in the China Theater. The amount that could be transported, however, would be of great use in the OSS operations in China; the amount so carried would be double that of the OSS monthly supply allowance flown over the "Hump."

It is likewise evident that the intelligence byproduct of such a route is not to be ignored.

The political situation in Tibet is such that we would wish to do nothing unless and until you were willing to have your Department

[11] See *Foreign Relations*, 1942, China, pp. 624–628, *passim*, and *ibid.*, 1943, China, pp. 622–637, *passim*.

take the necessary preliminary steps for the coordination and participation of Chinese and British authorities. Likewise, negotiations would have to be carried on with Lhasa. Major Tolstoy believes that it would take from six to eight months from the Indian border to China for a shipment to go through even under adverse conditions; that it would be unnecessary to have our representatives accompany the shipments; and that the entire transportation could be handled by certain responsible Tibetian traders who are either in India themselves or who have their representatives on the Indian border. Major Tolstoy feels that, in dealing with Tibet, it would be advisable to emphasize that the goods are for Americans who are in China now. Other factors which might be helpful in inducing Tibetian consent and insuring safe delivery of supplies are:

a. If the Dalai Lama's office was informed of the shipment of, or has already received, the present that was sent by OSS to the Dalai Lama.
b. If the US Government would purchase the surplus of wool which the Tibetans now have on their hands. (Almost all of the wool before the war was purchased by the United States from Tibet.) The total amount would not be more than one shipload.

I am prompted to bring this to your attention because of the contingency, no matter how remote, that the present Japanese drive into Imphal might have such a measure of success as to endanger the continuous use of our air transport over the "Hump."

Sincerely, WILLIAM J. DONOVAN

893.24/1712

Memorandum by Mr. O. Edmund Clubb, of the Division of Chinese Affairs

[WASHINGTON,] April 21, 1944.

Major Tolstoy's memorandum of January 20, 1944 [12] quotes British authorities in India as estimating that in a year's time, with proper organization, there could be transportation from India to China via Tibet by means of pack animals of 4,000 tons per year; and he states that it is quite possible that 1,000 tons could be handled in the first year. Major Tolstoy informed me that the estimate of 1,000 tons is for cargo in addition to that now being moved. That the British estimate in question may be somewhat optimistic is indicated by the information submitted in Kunming's despatch no. 12 of December 29, 1943,[12] stating that during the current year approximately 5,000 mule loads, or 333 metric tons, of merchandise will have arrived in Likiang (Yunnan) from India by the Tibet route, and that many

[12] Not printed.

times that amount of goods are currently stored in Lhasa awaiting transshipment. The amounts which reach China through Sining and Kangting can hardly be more. It is to be remarked that transport by pack animal over the proposed route is obviously subject to stringent limitations in terms of amount of forage and pack animals available, and that any substantial shipment of OSS supplies would inevitably displace in some degree present shipments of consumer goods. It is understood, however, that the British Indian authorities do not view with favor heavy export of consumer goods to China under present circumstances.

A supplementary memorandum of April 7, 1944[13] notes that, "if the Chinese Government is not made to realize the immediate advantage of the matter to the Allies' war program [*progress*], it will use the project merely as an excuse to exercise stronger pressure on its existing demand to the Tibetan Government for a right-of-way for a road from China to India, via Jyekundo, purely for re-establishing complete control over Tibet. Such action by the Central Government of China would most likely result in warfare between the two countries." The Chungking authorities, seeing transportation of goods on OSS account via Tibet, would almost certainly desire (1) to have transport on Chinese account and (2) to exploit the situation for Chinese political ends. Major Tolstoy in that same supplementary memorandum stated that it was possible that, due to recent Allied setbacks in Burma, negotiations with Tibet regarding the matter might now be more difficult because of a possible revival of Tibetan fear of Japan with accompanying doubt among some of the Tibetan officials of ultimate Allied victory.

The possible economic or military benefits of transportation of goods from India to China via the long route over Tibet would be subject to obvious limitations. Note that the transport is based on pack-animal trips 6–8 months in duration. It is to be deduced that China's interest in the project is primarily political for so long as Chungking remains desirous of opening that route and at the same time does not make use of existing pack-animal facilities for transport over the two routes from Gilgit and Ladakh (Leh) into south Sinkiang: the last-named routes are shorter in respect to that part of the trip requiring transport by pack animal, but up to the present time the Chinese have shown little interest in utilization of such routes, excepting as they might be developed for motor transport (the Chinese prefer the Gilgit route—again possibly for political reasons). It is observed in this general connection that there exists substantial probability that in due course the Japanese will embark upon a major campaign to eliminate Chungking and Kunming as enemy flanking positions, and

[13] Not printed.

that before the proposed route could be put into effective operation either (1) it would have become useless by reason of Japanese presence on its eastern terminal or (2) it would become no longer necessary by virtue of United Nations' successes leading to the opening up of more economic routes to China.

The possible importance of Tibet in relation to the United Nations is not to be disregarded. It is suggested that it might be found desirable to make arrangements in due course, if feasible, for the purchase and shipment to the United States of Tibetan wool and possibly of other Tibetan products; that, in exchange, the Tibetans would probably be glad to receive certain needed supplies of American medicines and other American products; and that, eventually it might be considered expedient to endeavor to station an American representative in Tibet. Whether there should be undertaken at this time any project of a major character is problematical. In any event, any arrangements which might be undertaken should be made with primary reference to and in accordance with the wishes of the Tibetan authorities themselves; and any approach to those authorities should be made only with the prior knowledge and acquiescence of the Indian and Chinese Governments.

It is felt that any action which the United States might take in this general connection should be designed carefully to avoid United States involvement in international politics respecting the status of Tibet.

893.24/1715

The Acting Chief of the China Division of the Foreign Economic Administration (McCann) to the Adviser to the Liberated Areas Division (Moffat)

WASHINGTON, April 23, 1944.

DEAR MR. MOFFAT: The enclosed [13a] covers the first specific request through Universal Trading Corporation for used commercial industrial equipment to be purchased and held for post war shipment.

Universal Trading Corporation are as you know the Chinese Government cash purchase agency in this country.

We shall be interested in State Department's opinion as to the desirability of sponsoring this and similar requests. This is a commercial transaction—no request is made for Lend-Lease aid.

Were shipment desired at this time we would register objection on the grounds that such material will only further congest warehousing facilities in India.

Sincerely yours, R. E. MCCANN

[13a] Not printed.

893.24/1712

The Department of State to the British Embassy[14]

MEMORANDUM

The United States Government is deeply interested in seeing that there is sent to China as effective aid as possible under the very limited air space available for the needed importation of supplies into China. It reiterates its earlier statement that it will be glad at all times to collaborate with the British Government in any steps which usefully can be taken to facilitate the flow of supplies into China. It has, accordingly, considered with great care the proposals submitted by the British Government on March 29.

The United States Government concurs that there should be full understanding between the United States and the United Kingdom on supply policy and supply procedure for China and it is glad to make a statement as to these in accordance with the inquiry submitted by the British Government. When new and substantial supply routes into China are available or their availability may reasonably be anticipated, the more specific proposals which the British Government made may well be of substantial benefit to the United Kingdom, to China, and to the United States. Under existing conditions, however, the United States Government does not feel that these specific proposals could facilitate the flow of goods into China, that they might, indeed, on occasion cause unfortunate delay and that their purpose might be misconstrued by our Chinese allies. The United States Government feels that its present machinery is working with great effectiveness in expediting the flow of the most essential supplies into China and that the present Combined Board machinery is adequate to prevent duplication where materials in short supply may be involved. It will, of course, at any time be willing to furnish information which will indicate whether an order submitted to the British Government may be a duplication of an order placed with the United States.

If, after consideration of the supply policies and procedure of the United States, the British Government feels that additional steps should be taken at this time, the United States Government will be glad to discuss the matter further, and consider what steps would be most effective to achieve the common objective of both Governments.

The largest amount of materials dispatched to India for China is direct lend-lease military equipment consigned to General Stilwell. Assignments of such material are made by the Munitions Assignment

[14] Handed to a representative of the British Embassy by the Adviser, Liberated Areas Division, on May 15; a similar note was handed to a representative of the Canadian Embassy on the same day.

Board on theatre requisition, but no assignment is currently made unless there is assurance from the theatre that the material can be in use within six months after such assignment.

The next largest amount of materials shipped to India from the United States for China—but relatively small in actual tonnage—is material procured by the Foreign Economic Administration on lend-lease. Such materials are of semi-military and non-military nature, but the Foreign Economic Administration will not ship on lend-lease any item which is not directly connected with the war effort or essential to the maintenance of a basic Chinese economy. Such materials consist mainly of raw and semi-finished materials, tools and equipment for arsenals or for essential industries, drugs and medicine, and equipment needed in connection with transportation and communications.

Preliminary requests for such lend-lease material are made in Chungking to Foreign Economic Administration representatives. There being no effective Chinese statistics or sources of over-all information, the urgency and validity of each request is separately considered and is discussed with the United States War Department lend-lease representatives in Chungking who advise on transportation priorities available for requests under Foreign Economic Administration consideration.

Formal requests to the Foreign Economic Administration in Washington for such lend-lease materials are made by the China Defense Supplies Corporation. Decisions on these requests are made by the Foreign Economic Administration in Washington. When the Foreign Economic Administration has the benefit of the recommendations of its field representatives before it, time is not lost in referring such requests to Chungking for screening.

Considerable stockpiles have been built up in India in anticipation of the availability of routes in addition to air transport. During the past six to eight months, with the failure to develop these routes, a much stricter policy has been pursued with regard to procurement and shipment. Stockpiles are being reduced and it is intended to continue such reduction until they consist of what may be determined to be a reasonable reserve. Thereafter, procurement and shipment of lend-lease material will not exceed the amounts which can be transported into China within a reasonably short period or are required to maintain reasonable reserves in India.

The third category of materials which go to China are those purchased for cash in this country. In 1938 the Universal Trading Corporation was established as a non-profit, American corporation wholly owned by the Chinese Government to act as agent on behalf of all Chinese Government agencies desiring to make purchases in the United States. In general, the Universal Trading Corporation

does not endeavor to procure material in this country except on the basis of import licenses issued through the Central Trust in Chungking. Such import licenses are not issued until the need for the commodity has been agreed to, currency arrangements accepted and air priority secured. American control is exercised through export licenses which limit exports to those items which are directly beneficial to the war effort or for which there is critical need. Although export licenses may exceed 200 tons a month, by a gentlemen's agreement the Universal Trading Corporation limits its actual shipments from the United States to an average of 200 tons a month. Within this limit also are included any items procured and shipped by private Chinese importers.

Except for this gentlemen's agreement with the Universal Trading Corporation, no specific tonnage limit has been or is placed on any supplies to be shipped to India for China, but the requirement that such supplies must be limited to what can be imported into China within a reasonable period or are required to replenish reasonable reserves in India has the effect of limiting the tonnage that is actually shipped.

No restrictions are placed on the amount of goods which China may obtain by cash purchases in the United States. However, the quantity of such products and materials is in fact limited by the necessity of securing export licenses or support from the Foreign Economic Administration for the acquisition of critical materials.

It is an absolute policy of the United States authorities to refuse requests for supplies put forward by one Chinese Government ministry which might be met from goods ordered by another Chinese Government ministry and available in India.

As indicated above, the United States authorities do not lend-lease material or act as claimant for a critical material which it does not appear can be utilized within the reasonably foreseeable future. Certain materials, most of which were ordered prior to Pearl Harbor but which it has been and still is impossible to deliver to China, are being held for road delivery. Where urgent need for any of these items has developed in other areas of the world, the original items have been diverted to such need and production of replacements promptly undertaken. None of such materials, however, are being shipped to India. No commitments have been made with regard to supplies for China to be delivered by sea or river upon withdrawal of the Japanese.

WASHINGTON, May 15, 1944.

893.24/1719

Memorandum of Conversation, by the Adviser to the Liberated Areas Division (Moffat)

[WASHINGTON,] May 15, 1944.

Participants: Mr. F. R. Hoyer Millar, British Secretariat,
Mr. John S. Dent, British Civil Secretariat,
Mr. Roger B. Stevens, (Mr. Hoyer Millar's successor);
Mr. Abbot Low Moffat, LA.

I handed the memorandum [15] to Mr. Hoyer Millar and Mr. Dent who were appreciative of the full and detailed statement of American supply policy and procedure, but who were disappointed that we did not agree to a mutual exchange of all information in Chungking and a mutual exchange on available supplies in India. I emphasized again the view that there were really three stages involved. The fully post-war for which no screening would presumably be desirable; the immediate, urgent demands for limited amounts of supplies to be flown in by air transport within a reasonably short period of time; and the interim period between the two when new routes could be opened. For the immediate period, I explained our view was primarily that of a one-way road, not from the point of view of policy but solely from the point of view of efficiency; that the bulk of material is being furnished by the United States which also controls air transport; that, of course, the British representative in Chungking could ask Joyner [15a] with regard to any order requested of him by the Chinese to ascertain whether it had been turned down or was being filled. Similarly, Joyner very probably would talk with the British representative, but I could not agree that he should be required to discuss with the British representative every request presented to the Americans.

I explained that it seemed important to me to clear the way of any mutual suspicions that might have existed by furnishing the British Government with a full and detailed statement of American policy and procedure. Mr. Hoyer Millar stated that he had already shown to the Canadians their memorandum to us, and inquired whether I would have any objection to their showing the Canadians our reply. I explained that I expected Mr. Pearson of the Canadian Embassy at 12:30, and proposed to give him a memorandum that set forth in the same language the complete American supply policies and procedures so as likewise to eliminate any mutual suspicions that might exist between the United States and Canada. I added that it was our hope that with regard to the interim period there could be worked out a really satisfactory machinery, probably tri-partite, in as much as

[15] *Supra.*

[15a] Calvin Joyner, F. E. A. representative in China.

we felt that whatever policy we adopted with relation to the U.K., we should also adopt with relation to Canada.

The matter of mobile power units was raised. Mr. Hoyer Millar stated that furnishing these was under consideration by the British who had discussed the whole problem with the American representative in Chungking. He read from certain cables which indicated that the British had stated that they would not be able to supply such units within less than two years, and asking their representative to consult the United States representative as to essentiality. The reply indicated that the total kilowatt output required could be reduced, that both the U.S. and the U.K. considered these units essential; that the Americans considered the units should be complete on barges. I explained that the U.S. had already once before rejected this proposal on the ground that the military maintained they were not essential; that the matter had recently been raised again; but that under our present policy, we would not undertake to furnish these units because they could not be delivered within the reasonably foreseeable future; that it was exactly this type of matter on which there should be joint consideration. Mr. Hoyer Millar said that he had laid the entire matter before the British representative on the C.P.R.B. who stated he was going to take the matter up with his opposite American number.

I explained that our policies related only to those matters which required government action; that I had heard that China had under consideration the purchase of some second-hand machinery which it might ship to China after the war; that since these involved no critical materials it did not come before W.P.B., and we had no official action or concern with regard thereto. Mr. Dent pointed out that the British policy as set forth in their *aide-mémoire* of March 29 did not limit the British Government in the manufacture or procurement of material for the Chinese and retention of such material in the U.K.; only the shipping to India was limited by a requirement that on-shipment take place within a reasonable period.

I telephoned Mr. Hoyer Millar to inquire as to the scope of the recently announced "$50,000,000 [*£50,000,000*] lend-lease credit" for China, and whether this was limited to military lend-lease or would include ordinary civilian purchases.

He called back and explained that only straight medical and military equipment were subject to British "lend-lease", i. e. mutual aid or gift. This recent credit is available for civilian requirements provided (*a*) purchase is made in the sterling area, and (*b*) that the material actually is a wartime necessity.

893.24/1712

The Department of State to the Canadian Embassy[16]

MEMORANDUM

The United States Government policy with regard to the shipment of war supplies for China is that it will consign to General Stilwell on lend-lease all military equipment requisitioned from the theatre, but no assignment is currently made unless there is assurance from the theatre that the material can actually be in use within six months after assignment by the Munitions Assignment Board. There is no reason to believe that there will be any substantial change of policy or procedure.

As integration of military supply requisitions is essential to prevent congestion in India, and to assure the most effective use of war material destined for China, General Stilwell not only has custody of American war material lend-leased to China and consigned to him, but also British war material destined for China, and the Chinese have requested that he also take custody of Canadian material shipped under mutual aid. General Stilwell has authority to divert American war material wherever it can most effectively be utilized in the prosecution of the war. Until comparatively recently such diversion was conditioned upon a commitment to replace the material diverted with identical material for China, but this prerequisite has been eliminated in order to assure the most efficient use of war materials.

It would seem unfortunate if any considerations interfered with the primary military objective of utilizing war equipment when and where most needed, and the arrangement with regard to Chinese military requirements reached on March 23, 1944 at the Ad Hoc Committee on Chinese Supplies of the Joint War Aid Committee—United States-Canada, would seem the wisest procedure for handling Chinese military requirements presented to the United States and to Canada.

WASHINGTON, May 15, 1944.

893.24/1711

The Director of the Office of European Affairs (Dunn) to the Director of the Office of Strategic Services (Donovan)

[WASHINGTON,] May 17, 1944.

MY DEAR GENERAL DONOVAN: The proposal set forth in your letter of April 14, 1944 to the Secretary of State in regard to the possibility of transporting from India to China via Tibet certain supplies, par-

[16] Handed to a representative of the Canadian Embassy by the Adviser, Liberated Areas Division, on May 15.

ticularly supplies designed for use in connection with O.S.S. operations in China, has received careful consideration by concerned officers in the Department. It is noted that, according to the estimate of British authorities in India, it is anticipated that, with proper organization, after a year's time there could be handled in that manner an annual transportation of 4,000 tons. It is pertinent to observe, it is felt, that the increased transportation by that route of O.S.S. supplies would probably result in at least partial displacement of commodity goods now being shipped by that route to China in connection with normal trade.

It is believed, however, that the political factor is the factor of primary significance in the present case. As pointed out in Major Tolstoy's supplementary memorandum of April 7, 1944,[17] "If the Chinese Government is not made to realize the immediate advantage of the matter to the Allies' war progress, it will use the project merely as an excuse to exercise stronger pressure on its existing demand to the Tibetan Government for a right-of-way for a road from China to India, via Jyekundo, purely for re-establishing complete control over Tibet. Such action by the Central Government of China would most likely result in warfare between the two countries." It is believed that the two factors, that there could be obtained but minor economic benefits and that there exist potentially major political difficulties, when combined, suffice to render it inadvisable to proceed at this time with the suggested project. The Department of State would therefore not be prepared to undertake to obtain the coordination and participation of the Chinese and British authorities as suggested.

In respect to the matter of the proposed purchase by the United States Government of the wool supplies which the Tibetans now have on hand, it is to be observed that the matter would seem to be one which the British Government would presumably have a primary interest in undertaking. It is understood, moreover, that the Foreign Economic Administration is also informed of this situation, and presumably would be prepared to do whatever might appear to be economically sound and politically feasible, having in view the position of the British with respect to the matter. The Department feels, in the light of the above, that the economic aspect of the matter will in due course receive such attention as it merits.

Sincerely yours, JAMES C. DUNN

[17] Not printed.

893.24/1715

The Adviser to the Liberated Areas Division (Moffat) to the Acting Chief of the China Division of the Foreign Economic Administration (McCann)

WASHINGTON, May 17, 1944.

DEAR BOB: I want to acknowledge your letter of April 23 with its enclosures relating to the proposed purchase by U.T.C. of used commercial industrial equipment and inquiry as to the State Department's opinion on the desirability of sponsoring this and similar proposals.

It is the understanding of the State Department that, because of the acute limitation of available cargo space into China under present conditions, and because of the danger of warehouse congestion in India the Foreign Economic Administration will not issue export licenses for any materials destined to China unless they are essential to the war effort or the maintenance of the Chinese economy, and unless it appears that they can actually be transported into China within the reasonably foreseeable future. The State Department thoroughly approves this policy and under the circumstances it agrees that export licenses for the used commercial equipment referred to should not be issued at this time.

Since the equipment in question is not subject to Limitation Order of the War Production Board, no question arises as to the F.E.A. acting as claimant for the equipment.

As to the essentiality of this equipment to the United States civilian and war economy, that is a technical matter on which the State Department obviously can give no opinion. It may well be possible, however, for U.T.C. to acquire title to the equipment and so arrange that the equipment will continue to be operated in this country until such essentiality is terminated, thereafter exporting it to China when warehousing space in India or cargo space to China permits.

Putting the matter into terms of policy, the State Department favors the fairest possible conditions of trade between this country and China, desires that capital equipment be made available to China on a basis of full equality with other countries and hopes that subject to necessary limitations imposed by war conditions F.E.A. will give all proper assistance to the Chinese in effecting purchases which they desire to make in this country, whether for immediate or post-war shipment.

Sincerely yours, ABBOT LOW MOFFAT

336-275—67——62

893.24/1720a

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 1, 1944—11 a. m.

753. FEA for Fowler.[18] State Department and FEA are in complete agreement that under the master agreements title to all lend lease material of whatsoever nature and no matter to what country transferred remains with US Government. US position provides full legal authority for diversion of such China lend lease supplies in India as incapable serving intended end use or no longer urgently required for the war effort. Youngman's[19] statement regarding title to stocks in India is legally untenable.

FEA reiterates previous statements regarding FEA furnished material:

(*a*) US will endeavor to meet all requirements needs in war effort, for which transportation into China is available, or will be, in foreseeable future.

(*b*) US will maintain in India a balanced reserve of required materials adequate to meet anticipated-on-shipments-to China but this must be on basis of reasonable turn-over. As situation alters nature of requirements, materials must be diverted which are not needed or for which more urgent need in war effort exists elsewhere.

(*c*) If, when material is diverted, need for supply of similar material is justified new requisitions will be entertained and your recommendations therefore will command prompt execution subject Washington concurrence. Procedure assures all essential replacement but avoids commitment for automatic replacement.

State Department fully concurs in these statements.

Ambassador's views on wisdom of taking action desired, especially in view of Vice President's visit.[20] Both State Department and FEA feel that present situation must be settled as promptly as possible. Any temporary unfavorable reaction by Chinese believed preferable to continuing minor source of friction while issue remains unsettled.

It is believed Chinese will recognize the fundamental soundness of US position and recognize its validity as essential to most effective prosecution of the war. We consider it vital, however, that proper exposition be given the Chinese.

Any Chinese apprehensions that there is diminished US desire to aid China are unfounded, but there is a growing aversion in US to idle stockpiles especially in view of spoilage and waste. We believe that best interests of the war effort and of the Chinese lie in active rather than in frozen stocks even if comparatively small. As Chinese

[18] Walter W. Fowler, FEA representative in China.

[19] William S. Youngman, Jr., president of China Defense Supplies.

[20] For correspondence regarding the visit of Vice President Wallace, see pp. 216 ff.

needs increase and supplies can be effectively utilized, we are committed to increased volume of aid. We are convinced and Chinese should be assured that US policy is intended to and will result in their receiving more rather than less effective aid in their war effort.

After receipt of Ambassador's views we will notify him of final decision as to taking action and if affirmative will leave time and method of exposition to his judgment.

HULL

893.24/6–244

Memorandum by the Chief of the Division of British Commonwealth Affairs (Hickerson) to the Adviser to the Liberated Areas Division (Moffat)

[Extracts]

[WASHINGTON,] June 2, 1944.

I am sorry that you did not go to the meeting last Monday of the Joint War Aid Committee, United States and Canada, for almost the entire discussion was devoted to China. I had hoped by now to have first draft copies of the minutes. I think it desirable to write this memorandum giving some impressions of the meeting.

. . . . . .

Soon after the Mutual Aid Committee was formed it was agreed that the Canadian stock pile in India for China should be held at 12,500 tons. About two months ago the Canadians sent out the first consignment of the goods to constitute this stockpile. The Joint War Aid Committee had already approved the goods but certain items were, I think, on the conscience of the Canadians and they wished the Committee to know about them. These were trucks. The Canadians pointed out in the meeting that the term "ancillary equipment" included trucks to transport guns, ammunition and parts. These trucks are ordinary trucks which, as you know, are in short supply. At the meeting at the time there was an acrimonious discussion about the obvious foolishness of sending trucks to India to be immobilized at a time when trucks generally were in an acute shortage. It was the view of the Committee that no further shipments of that sort should be made.

The Canadians at the meeting last Monday brought forward for clearance with the Committee a list of the military equipment to comprise the second shipment of Chinese material to India; this shipment will complete the 12,500 ton stock pile. You will note that this list includes 375 three-ton trucks. When Bill Batt [21] saw that item he hit the ceiling and we went over much the same ground which we

[21] William L. Batt, Vice Chairman, International Supply, War Production Board.

traversed two months ago. The Canadians referred to the Department of State's memorandum of May 15 in which it was stated that the Chinese have requested that General Stilwell take custody of Canadian material shipped under mutual aid and they added that in these circumstances they assumed that General Stilwell would be able to make effective use of any Canadian war material shipped to India pending the time that it could be transported to China. Lauchlin Currie [22] said that this was not the case and that the net effect of the Chinese request that Stilwell take custody of the Canadian material was that he would have charge of warehousing it without the right to use it unless the Chinese Government gave special permission. He pointed out that since the title to the material furnished to China by Canada passed to the Chinese Government when the goods were actually shipped from Canada, this material was in exactly the same position as the American purchase supplied to China prior to May 1942, and that we were still arguing with the Chinese Government about the right to use this material.

Mike Pearson [23] quoted the whole sentence from our memorandum referring especially to the phrase "and to assure the most effective use of war material destined for China" and said that he assumed that this meant that General Stilwell could actually use Canadian material without special permission from the Chinese. Lauchlin Currie insisted that that was not the case but that the situation was as he had described it and that all General Stilwell could do would be to accept custody for the goods which were controlled exclusively by the Chinese authorities. I was unfortunately not in a position to interpret the language of your memorandum. What precisely is the situation?

In saying his piece again on the complete foolishness of immobilizing trucks in India Bill Batt learned from the Canadians that they have 1000 three-ton trucks in Canada which are unallocated. He made a careful note of this and said a little grimly that they wouldn't have them long or otherwise he wouldn't have anything to say about immobilizing trucks.

The United States War Department officers said that warehouse space in India was at a premium and that it would really be asking a lot of General Stilwell to put on him the burden of finding storage space for this additional Canadian equipment. They therefore said that they proposed to take up with the War Department a suggestion that a telegram be sent to General Stilwell to decline to accept custody of this material for the Chinese unless he was given full authority over it to be used as he saw fit. The Canadians said that they of course had no objection to this procedure and that they had in fact intimated

[22] Administrative Assistant to President Roosevelt and Acting Deputy Administrator of FEA.

[23] Lester B. Pearson, Minister Counselor of the Canadian Embassy.

to the Chinese that they felt the material ought to be made available for use pending the time that it could be transported to China. They agreed to send a further message in this sense to the Chinese.

All of the foregoing relates to material which has already been approved by the Committee for shipment to India comprised in the 12,000 ton Canadian stock pile. The Committee then discussed briefly the future position. The Canadians said that the report of the *ad hoc* committee of March 23, 1944 was not satisfactory to the Canadian Government and they circulated a memorandum entitled "Supply to China" giving a counter draft or rather an interpretation of this report. The Canadian memorandum is attached.[24] General York appointed a sub-committee to look into this matter and to report to the next meeting. I should be glad to have your comments on the Canadian draft.

It was a hot day, the air conditioning in the Chiefs of Staff Building was working badly and altogether it was a bad meeting.

JOHN D. HICKERSON

893.24/1723 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, June 5, 1944—3 p. m.
[Received 10 p. m.]

977. Your 753, June 1, 11 a. m., FEA to Fowler. Re question of possible diversions from FEA lend-lease supplies for China now in India, it would of course be desirable that the United States decision be made known to the Chinese at a moment when the military situation is less discouraging than at present when, with the Jap activities in Honan and Hunan, the Chinese are inclined again to give voice to the criticism that we have failed to supply and equip their armies, although they know full well why this has not been possible on the scale that we and they desire. The China military situation however is not likely to improve in the near future. So far as the matter has relation to visit of Vice President Wallace, I believe the decision should be communicated to the Chinese as soon as possible and in advancing Mr. Wallace's visit during which he will no doubt give repeated assurance of our determination to aid China by lend-lease as rapidly as transport facilities permit. His reassurance can dissipate any lingering doubts in Chinese minds on the subject.

As to the method of communicating the decision, I have to point out that since the establishment of FEA and LL representation here all discussions and negotiations have been carried on directly by and with that representation and not by or with the Embassy. In my

[24] Not attached to file copy.

opinion it would not be desirable to give the matter of diversion of supplies undue emphasis or special importance by communicating it to Chinese on higher level. The decision should be communicated by the FEA lend-lease representation in a more or less routine manner but with full explanation. Should the reaction be disagreeable, I will be glad to give support by friendly explanation and assurances in the proper quarter.

GAUSS

893.24/1728a

The Secretary of State to the Deputy Administrator of the Foreign Economic Administration (Currie)

WASHINGTON, June 9, 1944.

MY DEAR MR. CURRIE: The Department has received from General William J. Donovan a proposition for the shipment of supplies from India via Tibet to China for the use of OSS. General Donovan in his pertinent letter of April 14, 1944 said that he was also writing to you regarding the matter, Major Tolstoy having spoken to you in that connection.

The Department in its reply of May 17, 1944, to General Donovan stated in essence that it appeared for various reasons inadvisable to proceed at this time with the project and that the Department was therefore not prepared to undertake to obtain the participation of the Chinese and British authorities in the project. With particular reference to the proposal made in this general connection by Mr. Sadu Tshang for the purchase by the United States Government of Tibetan wool, it was observed to General Donovan that the matter was one regarding which FEA presumably would be prepared to do whatever might appear to be economically sound and politically feasible. The Department is not in possession of other information than that submitted by General Donovan's office regarding the present situation in respect to (1) the need of the United States for such wool as Tibet offers, (2) the buying program and the present attitude of the Indian Government toward this matter, and (3) the possibility of economically purchasing and shipping that wool cargo (indicated by Major Tolstoy to be no more than one shipload) to the United States. The Department feels that, if there exists an American need and if purchase and shipment could be economically effected, and if the concerned British authorities offered no objections on political grounds, FEA perhaps would find it desirable to proceed with this project.

The Department would appreciate receiving your opinion regarding the desirability and feasibility, in the light of American war

needs and available transport facilities, of effecting a transaction for the purchase of the Tibetan wool.

It is suggested for your consideration that, in any event, besides there having been made a *pro forma* acknowledgment under date April 12, 1944 by Major Tolstoy to Mr. L. Gedund of the Sadu Tshang firm, your office might wish to send to Mr. Sadu Tshang at the address Kalimpong, Bengal, India, some informal acknowledgment of the receipt of the proposition.

Sincerely yours,

For the Secretary of State:
JOSEPH C. GREW
Director
Office of Far Eastern Affairs

893.24/1723 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, June 12, 1944—9 p. m.

820. With State Department approval FEA has requested Fowler and Joyner to present letter embodying restatement of lend-lease policy in accordance with your cable 977, June 5.

HULL

893.24/6-2944

The Chinese Ambassador (Wei) to the Secretary of State

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to inform him that as of July 1, 1944, the China Defense Supplies, Incorporated, an agency of the Chinese Government in charge of lend-lease operations, will be liquidated, and in its place the Chinese Government has appointed a Commission to be known as The Chinese Supply Commission, with the Ambassador acting concurrently as Chairman.

The Chinese Supply Commission, in addition to assuming the functions hitherto performed by the China Defense Supplies, Incorporated, in connection with lend-lease operations, is authorized by the Chinese Government to conduct negotiations in matters relating to reconstruction projects in China.

The Ambassador will be obliged if the Secretary will be so good as to transmit the above information to the interested authorities of the United States Government.[25]

WASHINGTON, June 29, 1944.

[25] In acknowledging the Chinese note, the Secretary of State on July 19 informed the Chinese Ambassador that the information was being given to the interested authorities.

893.24/7–1744 : Telegram

The Secretary of State to the Ambassador in China (Gauss)

WASHINGTON, July 17, 1944—2 p. m.

965. Referring to Department's telegram [26] in regard to new Chinese Supply Commission, Department would appreciate receiving, for its own information and possible use in discussions with American businessmen, Embassy's views on following: (1) does Commission speak for National Government on questions relating to post-war reconstruction projects negotiated in this country or does it represent merely a group or agency in the Government; (2) if the former, do all projects negotiated in this country need to have Commission's approval?

HULL

893.24/7–2244 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, July 22, 1944—3 p. m.
[Received July 22—11 a. m.]

1276. Apparently scope of authority of Chinese Supply Commission, Washington, not yet fully settled here. Re your 965, July 17, 2 p.m. It has been set up primarily to handle lend-lease. Opinion here is that it desires also to handle post-war reconstruction projects. There is doubt in some quarters whether it is capable of doing so. However, Kung [27] is believed to have been given considerable discretion. Cabinet Ministers here are telegraphing Kung for clarification and we understand Kung's recommendation is also being sought whether former China Defense Supply operations here should now be taken over by Minister of War [28] or entrusted to Central Trust. Embassy believes Kung will likely endeavor to concentrate authority in Central Trust here and Chinese Supply Commission, Washington, and will also endeavor to control official post-war reconstruction projects. We will continue to follow the matter and report when situation is clarified.

GAUSS

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[26] No. 964, July 17, 1 p. m., not printed.
[27] H. H. Kung, Chinese Minister of Finance, on mission to the United States.
[28] Gen. Ho Ying-chin.

893.24/8–2344 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, August 23, 1944—9 a. m.
[Received 9 : 35 a. m.]

1449. According to local chief representative of China Defense Supplies in liquidation, that organization is being terminated (our 1276, July 22) and China lend-lease matters at this end are to be handled by Transport Commission or Military Affairs Commission.

GAUSS

893.24/10–1744 : Telegram

The Ambassador in China (Gauss) to the Secretary of State

CHUNGKING, October 17, 1944—11 a. m.
[Received October 19—9 : 40 a. m.]

1686. Embassy informed by General Ho Ying-chin that, pursuant to order to [*of*] Generalissimo September 19, International Supply Department has been established under National Military Council's Transport Commission to take charge of requisition, distribution and diversion of all supplies procured abroad for Chinese Government account. (ReEmbs 1449, August 24 [*23*]).

R. G. Chen, formerly in charge China Defense Supplies Office here and director of new Department, states its activities will be limited to obtaining materials during wartime by lend-lease, purchase, et cetera, and that no proposals have been made regarding postwar activities of Department or of Chinese Supply Commission, its counterpart in United States (ReEmbs 1276, July 22).

GAUSS

893.24/11–244

Memorandum by President Roosevelt to the Secretary of State

WASHINGTON, November 2, 1944.

As you know, the Russians have recently granted us permission to transport 500 trucks across Russia to China. I recommend that you personally cable Marshal Stalin,[29] asking permission to transport a further 500 trucks per month over Russian territory for China.

F[RANKLIN] D. R[OOSEVELT]

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[29] Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

893.24/11-244

Memorandum by the Under Secretary of State (Stettinius) to President Roosevelt

[WASHINGTON,] November 15, 1944.

With regard to sending a message to Stalin to seek his permission to send five hundred trucks a month to China for the Chinese Government, I have discussed this question with Ambassador Harriman [30] who feels it would be most inadvisable to make this request. He tells me that when he obtained permission from Stalin for the transit of the trucks Stalin was very reluctant to grant the permission until he was assured that they were urgently needed by our Air Force and would not be turned over to the Chinese. Moreover, Stalin consented to the diversion of these five hundred trucks which were earmarked for the Soviet Union in order to permit their delivery to our Air Force in China despite the fact that Lend-Lease has had to turn down a most urgent Soviet request for additional allotments of trucks.

Apart from these reasons, it is understood that the Army is so anxious to get the five hundred trucks to China as soon as possible that they do not want to risk a possible reversal of decision by the Soviet Government if permission is asked to send five hundred a month. Furthermore, in regard to the monthly quota proposal, the Army is not certain whether they have sufficient personnel to carry on the operation on a continuing basis.

Since Stalin gave his permission to Ambassador Harriman solely on the ground that the trucks were needed by the United States Air Force and since it is hoped that the Ledo–Burma Road will be opened shortly, it is felt that it would be inadvisable to send a message to Stalin now asking for permission to send a monthly quota of trucks to China.

E. R. STETTINIUS, JR.

893.24/11-1844

Memorandum by the Under Secretary of State (Stettinius) to President Roosevelt

[WASHINGTON,] November 25, 1944.

Subject: Passage of Trucks Through the Soviet Union En Route to China.

Ambassador Harriman told me that he had talked with you on this subject, and that you agreed in accordance with the recommendation

[30] W. Averell Harriman, Ambassador to the Soviet Union, temporarily in Washington.

contained in the attached memorandum dated November 15,[31] that it would be undesirable to send a message to Marshal Stalin at this time.

I shall, of course, in accordance with your instructions to Mr. Harriman, follow closely the progress being made on the Ledo–Burma Road.[32]

As you requested, I am returning the memoranda of November 15.

EDWARD R. STETTINIUS, JR.

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[31] *Supra.*

[32] Ambassador Harriman had informed the Under Secretary of State that he had told the President that General Somervell thought the Ledo Road was the better route for delivery of the trucks, etc. The President said 'All right but they should push it when the Ledo Road is open'."