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AIDE-MÉMOIRE

15/10.

His Majesty's Government in the United Kingdom are most grateful to the United States Government for the helpful attitude which they have adopted with regard to His Majesty's Government's proposal for assisting China by means of a currency loan. In the light of the President's views, which the Under Secretary of State was so good as to convey to Mr. Mallet on the 11th January, His Majesty's Government now intend to proceed with an examination of details of their project for assisting the Chinese currency. They will of course keep the United States Government informed of the progress they make.

Meanwhile they will be grateful if they may be furnished when this becomes possible with further information, in a form as detailed as the United States Government may feel able to give, as to the nature of the parallel action which the United States Government hope to take. This would be helpful to His Majesty's Government in the event of their deciding to proceed, as they would have to introduce legislation and may therefore be in a position where they would wish to state what is ^{the} parallel and simultaneous action which United States are prepared to take.

An unexpected complicating factor has however been introduced by the recent decision of the Chinese Government to suspend the service of

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foreign loans secured on the Customs. In the view of His Majesty's Government this step is bound to prejudice efforts to maintain the credit of China and before they undertake to contribute to any stabilization fund it will be necessary to secure that all possible measures are taken to restore security for their loans. For this purpose the first essential is to persuade the Chinese Government for their part to permit the implementation of the arrangement relating to the China Customs negotiated by His Majesty's Ambassador at Tokyo with the Japanese Government on 2nd May last. His Majesty's Government are convinced that this arrangement is in best interests of China and affords the only basis for attempts to maintain the integrity of the China Customs.

BRITISH EMBASSY,

WASHINGTON, D. C.,

January 24th, 1939.