

MINUTE SHEET.

Reference 626/7/40

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at the request of Mr. Piment

I saw Mr. Green to-day about the export of arms to China and credits which might be used in payment for them. He did not think that any special significance attached to the issue of licences to the amount of \$7.3 million in the first three months of 1940 because there is usually a lag of anything up to 12 months between the issue of licences and exports. So far in 1940 the exports have only been \$900,000. Mr. Green told me that the licences issued in April amounted to \$432,000 and in May to date \$20,000. (For comparison, in 1939 licences issued amounted to \$5 million and exports to \$2 million). It did not seem to have occurred to Mr. Green that there is any reason to believe that China is accelerating her purchases.

Mr. Green reminded me that no exports of arms may be made to China except with the consent of the Chinese Embassy in Washington, that all exports go via Rangoon, and that we have given an undertaking that shipments will not be interfered with en route.

Mr. Green confirmed the fact that the credit granted to China may not be used for purchase of arms, but added that in his view little if any significance attaches to this prohibition since these credits could be substituted for other funds which in turn could be used for the purchase of arms.

The details of the loans to China are not the special concern of Mr. Green, and therefore he sent me to Mr. Livesey, from whom I got the following information.

The original loan to the Universal Trading Corporation (which is in fact the agent for the Chinese Government) was \$25 million. Very widely distributed purchases have been made by means of this loan, a fact which has been stressed by Mr. Jesse Jones before the Senate Committee on Foreign Relations and also before the (? Senate)

Mr. Horwath said the same to me.

*WB
In so far as the Chinese have other resources available here. God.*

/Committee

Committee on Banking and Currency. Up to March 31st, 1940, \$17½ million of the original loan have been disbursed (see the National Foreign Trade Council Inc. report dated April 19th). Mr. Livesey telephoned Mr. Whittemore of the Export-Import Bank and was told that the original \$25 million is not yet exhausted. A second credit of \$20 million was granted (? on March 7th) which is the maximum that can be granted to any one country after the date of the enactment which authorised the additional hundred million total for export credits. Up to March 31st about \$2½ million of the \$17½ million disbursed had been repaid, this sum representing half the sale proceeds of tung oil imported from China.

Mr. Livesey pointed out that the credits to China could not be used for purchasing war materials narrowly defined, but that nothing prevented their being used to purchase trucks which are essential for supply purposes. He added that men had been sent out with trucks to organise service.

Both Mr. Green and Mr. Livesey disclaimed any knowledge of loans or projected loans to Universal Trading Corporation from sources other than the Export-Import Bank.

The net result of the enquiry is:

- (1) an additional credit of \$20,000,000 has been granted, making the total to China \$45,000,000;
- (2) there is no evidence of negotiations for further credits;
- (3) although the total of licences issued for the export of arms has increased there is no evidence obtainable from the State Department that China is negotiating for the purchase of \$20,000,000.

F.O.

7th May, 1940.

RO:AM

Mr. Butler

This is useful. We now have material for reply to F.O. despatch on 626/7/40.

Mr. H. Miller.

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