

DEPARTMENT OF STATE  
Washington

October 29, 1946

My dear Mr. Martin:

As you know, General Marshall expressed the view on July 31, 1946 that the situation in China did not warrant the use of the 500 million dollars authorized for China "unless it be for reconstruction on repair of communications which are so urgently needed". In further support of this view, on September 21, 1946 General Marshall cabled the Department to the effect that he would not object to discussions between the Bank and the Chinese Supply Commission on a working level regarding credits for reconstruction or repair of rail communications, but that such discussions at this time regarding other types of projects would imply commitments possibly prejudicial to his efforts, and inconsistent with his general view that applications for credits should not be considered by the Export-Import Bank pending clarification of the political situation in China. On September 27, 1946, General Marshall stated that he regards rehabilitation of the Hankow-Canton-Kowloon Railroad as urgent from an economic point of view, and that this and the first year's requirements for the Yellow River Bridge project appeal to him strongly and cannot be confused with general restrictions on aid to the Chinese Government at this time.

I understand that the Bank has informed Dr. Wang Shou-chin, Chairman of the Chinese Supply Commission, who requested consideration of credits for the two aforementioned projects in a letter of September 3, 1946 that such credits cannot now be considered because of the present situation in China.

In view of General Marshall's subsequent comments, with which the Department is in agreement, I should like to recommend to the Board of Directors that the Bank undertake an examination of these two railroad projects. I would not interpret such action to imply any change in the procedure which the Bank has been following, except with respect to credit requests for railroad rehabilitation projects, and suggest that the Bank make clear to the Chinese that it is willing to consider these projects at this time because of their special character.

May I request that the Bank inform the Department of all requests for credits which are received from the Chinese, in order that consideration of them may be correlated with the rapidly shifting political situation in China.

Sincerely yours,

/s/ W. L. Clayton

W. L. Clayton  
Under Secretary  
for Economic AffairsThe Honorable  
William McC. Martin, Jr.,  
Chairman, Export-Import Bank