



DEPARTMENT OF STATE
OFFICE OF THE SECRETARY
WASHINGTON

October 13, 1948

~~TOP SECRET~~

SUMMARY OF TELEGRAMS

CHINA In reply to Embassy Nanking's recommendation that, in view of the critical Chinese economic situation, we be prepared to use all available China Aid funds for priority shipments of food to China and to grant China a loan for the purchase of silver, we have informed the Embassy that we do not believe that the benefits to be derived from such steps would warrant the drastic action required. The acceleration of the ECA program would exhaust the ECA appropriation before the end of 1948 and Hoffman is opposed to any request for ECA deficiency appropriations, while the diversion of funds from military aid and capital reconstruction would be inconsistent with the intent of Congress in appropriating the money. We and Treasury doubt the feasibility of buying silver for government expenditures, and funds for such a purpose could not be made available without congressional authority and could not properly be diverted from ECA appropriations.

PORTUGAL The Portuguese Foreign Minister has informed our Ambassador in Lisbon that the Portuguese have been forced to adjourn indefinitely the projected visit of General Franco to Lisbon in view of the Spanish Foreign Minister's visit to the Argentine, in order to avoid any impression arising that a three power arrangement between Spain, Portugal and the Argentine is being made. The Foreign Minister stressed that Portuguese policy is oriented toward European unity backed by the US.

BERLIN We have informed our UN delegation in Paris that, in the event we are asked in the Security Council whether we would still accept as a basis for negotiations the August 30 directive to the Military Governors drawn up during the Moscow talks, we consider the directive as interpreted by the western powers as being an acceptable solution to the Berlin problem, provided that the blockade is lifted. We do not consider, however, that we are legally bound by the directive and we feel that as at present drafted it is not satisfactory. We believe that, at some stage in the negotiations, it may be necessary to consider the use of a third currency in Berlin which would not give rise to the problems involved in ensuring that the currency needs of the western powers would be satisfied and that the Soviet Zone currency would be protected.

DECLASSIFIED

E.O. 12958, Sec. 3-402

State Dept. Guidelines, June 12, 1979

By NLT-*HC* NARS, Date *11-13-80*

~~TOP SECRET~~