

Research Article

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Economic and Military Agreements Between the Republic of China and the United States (1946–1949)

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Abstract

This article examines the role of the United States in the Chinese Civil War and analyzes the economic and military agreements concluded between the U.S. and the Republic of China (ROC) during the years 1946-1949. Following the capitulation of Japan on September 2, 1945, the Second World War came to an end. As Japanese forces withdrew from the territories they had occupied in China, tensions between the Kuomintang (KMT) and the Chinese Communist Party (CCP) intensified. Both sides, seeking to secure political dominance, moved quickly to “liberate” towns and cities previously under Japanese control. These developments ultimately led to the outbreak of full-scale civil war in 1946. The conflict soon acquired an international dimension, as the CCP received support from the Soviet Union while the KMT was backed by the United States. Under the leadership of President Harry S. Truman, the United States sought to prevent China from falling into the Communist bloc and therefore undertook a limited and temporary involvement in the Chinese Civil War. This involvement consisted mainly of several diplomatic initiatives—most notably the Marshall Mission—and a series of economic, and military agreements signed with the ROC between 1946 and 1949.

Keywords

China,
Taiwan,
Kuomintang,
Chinese Civil War,
United States

Introduction

The final years of the Chinese Civil War coincided with a period of profound geopolitical transformation, during which the United States sought to redefine its position in East Asia. Between 1946 and 1949, Washington's attempts to support the Republic of China (ROC) were shaped by the emerging realities of the early Cold War. The central problem addressed in this article is the extent to which economic and military agreements between the United States and the ROC influenced the outcome of the Civil War and reflected broader strategic interests.

Existing scholarship has examined various aspects of U.S.–China relations during this period, including American diplomatic missions, the Lend-Lease legacy, and the debates within the Truman administration regarding intervention. Works by American, Chinese, and Russian historians highlight the ambiguity of U.S. policy, the weaknesses of the Nationalist government, and the challenges posed by the rapidly advancing Chinese Communist Party. This article approaches the subject by examining the two categories of agreements together, assessing their motivations, implementation, and impact. By situating these measures within the broader dynamics of U.S. foreign policy, it aims to clarify how American decision-making shaped, and ultimately failed to alter, the trajectory of the Chinese Civil War.

Aim

The primary aim of this study is to examine the nature, scope, and significance of the economic, and military agreements concluded between the United States and the Republic of China during the Chinese Civil War, from 1946 to 1949. By analyzing official documents, international treaties, and contemporary reports, the study seeks to clarify how these agreements reflected the strategic objectives of the United States and how they shaped the Nationalist government's capacity to resist the Chinese Communist Party.

Materials and Methods

This study employs a qualitative historical-analysis approach to examine the economic and military agreements concluded between the United States and the Republic of China between 1946 and 1949. The research is based on primary archival documents, contemporary newspaper reports, and secondary scholarly literature. Primary materials were collected from the Foreign Relations of the United States (FRUS) volumes for 1948 and 1949. These documents provide official correspondence, internal memoranda, agreements, and policy discussions relevant to U.S. actions in China (FRUS 1948, Vol. VII; FRUS 1948, Vol. VIII; FRUS 1949, Vol. IX). International treaties and bilateral agreements, including the 1946 Treaty of Friendship, Commerce and Navigation and the 1947 Agreement concerning United States Relief Assistance, were consulted through the United Nations Treaty Series. Contemporary press reports from Warsaw Daily Union, The Montreal Gazette, and Lewiston Evening Journal were used to assess public perceptions and policy commentary of the period.

Secondary literature by scholars such as Robert D. Blackwill, Philip Zelikow, Tat'yana Panova, and Russell D. Buhite provided interpretive frameworks and contextual analysis. These works were employed to compare existing historiographical positions with the findings derived from primary materials. All documents were examined through thematic analysis. Sources were categorized into political, economic, and military spheres to match the structure of the study.

Research

Following the capitulation of the Japanese Empire on September 2, 1945, the Second Sino-Japanese war came to an end. Soon after, the issue of national unification began to intensify tensions between the Kuomintang (KMT) and Chinese Communist Party (CCP). The efforts made by both

sides ultimately culminated in the Chinese Civil War. At the same time, communism as an ideology was rapidly gaining ground in Eastern Europe. Consequently, U.S. policymakers faced the challenge of confronting the communist threat on two fronts—in Eastern Europe and in China. Soviet leaders soon began assisting the Chinese communists in their attempt to bring the country under their control. As the natural counterweight to the emerging Communist bloc, the United States supported the KMT in its struggle against the CCP. By the end of the war, thirty-nine American-trained Chinese divisions were equipped largely with U.S. arms (Foreign Relations of the United States, 1948, The Far East: China, Volume VII: Document 373). On September 30, 1945, American naval forces entered Tianjin. The United States quickly sent additional forces, and by the end of 1945 there were 113,000 American troops stationed in China (Robert & Philip, 2021: pp. 62-63).

In November 1945, according to the Nationalist newspaper *Ta Kung Pao*, the United States granted the KMT 3,000 planes for its struggle against the CCP (Wang, 1945). Using these planes, Generalissimo Chiang Kai-shek began transporting his troops to territories under CCP control. Also in November 1945, U.S. Marines started moving from Chinwangtao in North China to the Shanhaikwan fortress. According to the press of the time, American Marines participated in clashes between the KMT and CCP and even sustained wounded personnel. On November 8, an additional 1,000 U.S. Marines landed at Chinwangtao (Ibid).

Although American support for the KMT in the early postwar era was limited, it nevertheless strengthened the Nationalists and helped them resist the rising CCP-Soviet influence in the region. Similarly, the USSR intervened by providing the CCP with military assistance. In this sense, the Chinese Civil War became a direct outcome of U.S. and Soviet involvement in the political tensions between the KMT and CCP. Without such external support, the conflict might have been resolved peacefully. Some U.S. officials recognized this possibility, and by late

1945 the United States began withdrawing some of its forces from northern China to avoid potential clashes with Soviet troops. Soon after, Secretary of State James F. Byrnes and General Albert C. Wedemeyer, U.S. commander in China, announced that U.S. Marines would leave North China after being caught in crossfire during the Chinese Civil War. Notably, Byrnes did not provide further explanation, which made it appear that the withdrawal occurred solely due to the dangers posed by the conflict. Despite leaving the northern China, American forces and planes continued transporting Nationalist troops to the North (Shackford, 1945). With U.S. military assistance, KMT forces entered northeastern China in the spring of 1946 and secured control of the coastal areas.

American officials believed that the U.S. military presence in China would help prevent the spread of communism in South China. However, because the civil war threatened to draw United States into a direct confrontation with the Soviet Union, Congress decided to withdraw U.S. forces from China. Any attempt by Washington to openly back Chiang Kai-shek would have invited full Soviet support for the Chinese communists. By June 1947, the number of American troops in China had fallen to 6,180, and in 1949 the remaining U.S. forces left the country entirely (Tat'yana, 2014: p. 26). Nevertheless, in July 1947, with Chiang Kai-shek's approval, U.S. military bases were established in Taiwan, Guangzhou in South China, Sichuan, Xi'an, Lanzhou, and Urumqi. During the civil war however, most of these bases were dismantled by the CCP, and the remaining American troops were expelled from China. Only the island of Taiwan remained under KMT control with U.S. support.

Marshall Mission (1945-1947)

As tensions between the Nationalists and Communists escalated in 1945, the United States sought to prevent further deterioration by inviting both sides to peace negotiations. Washington initiated talks in Chongqing (then Chungking), which lasted from August 1945 to March, 1947.

However, the KMT leadership did not give these negotiations sufficient attention and appeared not to take them seriously, instead using the opportunity to strengthen their military position. Underestimating the strength of the CCP, Chiang Kai-shek aimed to unify the country under KMT rule.

During World War II, the United States had already shown interest in resolving the rivalry between the Chungking and Yan'an (the CCP headquarter since 1936-1937). In 1944, the U.S. government sent the Dixie Mission to China. Its purpose was to assess the CCP politically and militarily and determine whether cooperation might benefit the United States. John S. Service of the State Department conducted the political analysis, while David D. Barrett of the U.S. Army led the military assessment. Initially, they reported that the Chinese communists might serve as a useful ally during and after the war and noted that the conditions in Yan'an appeared more positive and less corrupt than in Nationalist-controlled areas. However, pro-KMT factions within the American government later criticized the mission. In late 1944, the Hurley Mission followed. General Patrick Hurley, who headed the mission, mistakenly compared the KMT-CCP rivalry to the competition between Republicans and Democrats in the United States. As a result, this mission failed to achieve any meaningful progress (Russel, 1973: 160-162).

In a final attempt to keep China unified and non-communist, President Harry S. Truman sent General George C. Marshall as his special envoy to China. The primary goal of the Marshall Mission was to negotiate a coalition government in China and mediate the conflict between the KMT and CCP. The Marshall Mission was intended to pressure the Nationalist government into a political compromise (U.S. snarled in Chinese Dilemma).

Marshall arrived in China on December 20, 1945, and immediately brought both sides into negotiations that lasted for more than a year. Although sides agreed to a ceasefire on January 10, 1946, no substantial progress was made, as

both sides used the pause to prepare for renewed conflict. One factor complicating negotiations was the Gexin (Ko-hsin) movement within the KMT. This movement opposed reconciliation with the CCP and strongly resisted Marshall's efforts. To encourage negotiations, the United States suspended arms and ammunition sales to the KMT between July 29, 1946 and May 1947 (Foreign Relations of the United States, 1948, The Far East: China, Volume VII: Document 373). Frustrated by the failure of the talks, Marshall finally left China in January 1947. The collapse of the Marshall Mission contributed significantly to the escalation of the conflict in China and stands as one of the key factors leading to the outbreak of the Chinese Civil War.

Economic agreements

After the outbreak of the Civil War in China, the U.S. leadership decided to support the Nationalist government by providing economic assistance. One of the earliest economic aid agreements concluded between the ROC and the United States was the Nanking agreement of 1946. On November 4, 1946, the Republic of China and the United States signed the 'Treaty of Friendship, Commerce and Navigation between the United States of America and the Republic of China', commonly referred to as the Treaty of Nanking. The treaty came into force on November 30, 1948, following the mutual exchange of ratifications (Treaty of Friendship, Commerce and Navigation between the United States of America and the Republic of China).

Some of the key provisions of the Nanking Agreement included the following:

Article I:

(1) Peace and friendship were to be maintained between the Republic of China and the United States.

Article II:

(1) Nationals of both sides were permitted to enter the territories of the other, and were allowed to

reside, travel, and conduct trade throughout the full extent of those territories.

(2) Nationals of either side were allowed, without interference, to engage in commercial, manufacturing, processing, scientific, educational, religious, and philanthropic activities not prohibited by local laws and regulations.

Article III:

(2) Corporations and associations legally established within either country were to be recognized as such in the other.

(4) Such corporations and associations were not to receive treatment less favorable than that accorded to those of any third country.

Article VI:

(1) Nationals of either side were to receive full protection and security for their persons and property under international law.

(2) The property of nationals, corporations, and associations of either side shall not be taken within the territories of the other side without due process of law and without the prompt payment of just and effective compensation.

(3) The recipient of such compensation shall be permitted to withdraw the compensation in the currency of the side of which such recipient is national, corporation or association.

(4) Nationals and corporations of either side were to have access to courts and administrative bodies within the other's territory.

Article VII:

Dwellings, warehouses, factories, shops, and other business premises belonging to nationals or corporations of either side were protected against unlawful entry or interference.

Article VIII:

(1) Nationals and corporations of either side were permitted to acquire immovable property in the territory of the other.

Additionally, Article XXVI permitted the import and export of gold, silver, arms, ammunitions, and other military supplies between the two parties. Article XXIX declared that this treaty annulled earlier agreements between the two states, including the Treaty of Wanghia (1844), the Treaty of Tientsin (1858), and the tariff treaty of Peiping (1928). The final (30th) article stipulated the treaty's ratification process, its five-year duration, and the terms for its continuation or termination.

In practice, the treaty granted the United States extensive economic privileges in China. Chinese businesses frequently complained about unfair competition from American products that dominated the market. U.S. citizens were allowed to establish industrial zones, trade freely, conduct missionary activities, rent land, explore mineral resources, and invest in infrastructure. With the Treaty of Nanking, American merchant ships obtained the right to operate within China's internal waters, and U.S. nationals could live and travel freely throughout the country.

On October 27, 1947, the Republic of China and the United States signed the "Agreement concerning the United States relief assistance to the Chinese people". According to Article I, the United States provided China with relief supplies as well as storage, transportation, and shipping services. Article II stipulated that all U.S. relief imports were exempt from customs duties and other fiscal charges. The Chinese government pledged not to misuse the supplies and to ensure fair distribution among all social groups.

Article III required that sale prices of relief goods be agreed jointly by the two governments. If such goods were sold for local currency, the funds were to be recorded in the name of the Chinese government. The Chinese government also provided regular reports on balances and

expenditures from the fund. Article V obligated the Chinese government to facilitate the movement of U.S. representatives supervising the distribution of U.S. relief supplies. The final (10th) article stated that the agreement would take effect on October 27, 1947, and would remain in force until a mutually agreed termination date.

In late 1947 and early 1948, the United States began discussing further economic assistance to China. On November 28, 1947, Melville H. Walker, Assistant Chief of the Division of Investment and Economic Development, prepared a memorandum proposing Economic Aid Program for China. This program planned giving \$400,000,000 to China for the period April 1, 1948, to June 30, 1949. Of this sum, \$300,000,000 was earmarked for essential imports, and the remainder for reconstruction projects. This program deliberately excluded direct military aid.

On December 30, 1947, Clinton T. Wood, Deputy to the Assistant Secretary of State for Economic Affairs, sent another memorandum recommending \$485,000,000 for the same purposes, with \$435,000,000 dedicated to essential imports. The planned coverage period was adjusted to the eighteen months beginning from January 1, 1948. The reason for this change as stated in the memorandum was “the course of developments in the financial situation of China.” (Formulation of program for aid to China; China Aid Act of 1948).

On July 3, 1948, the “Economic Aid Agreement between the Republic of China and the United States of America” was concluded. Comprising twelve articles, the agreement aimed to prevent economic collapse in China, strengthen its economy, promote development of industrial and agricultural production, and encourage wider international trade. The ROC also agreed to consult with the United States on major economic matters (Economic Aid Agreement between the Republic of China and the United States of America).

By providing the Nationalist government with economic assistance, the U.S. leadership hoped to address the Chinese crisis without openly intervening in the conflict. American military officials believed that such aid would be sufficient for the KMT to restore its strength and continue the war against the CCP. However, it soon became evident that these measures would not prevent Chiang Kai-shek’s eventual defeat.

In 1948, former U.S. commander in China, General Albert C. Wedemeyer, told the Foreign Affairs Committee that economic aid alone was “too late”. Although he had been one of the main advocates of economic assistance in 1946, he admitted that: “Two years ago \$200,000,000 would have sufficed for China’s rehabilitation, but now this aid is not sufficient.” He further argued: “I don’t think we should create economic strength anywhere until we are prepared to protect it.” (Chennault will ask U.S. intervene in China Civil War). In essence, Wedemeyer supported U.S. military intervention in China. Converseley, the Secretary of State George C. Marshall insisted that economic aid should continue and firmly opposed any direct U.S. military involvement in the Chinese Civil War.

Military agreement

Another important area of American involvement in China was the military sphere. The United States sought to strengthen its strategic position in the region by constructing airfields and military bases and by relying on the Kuomintang as a key military-political ally against the Soviet Union (Vasil'ev, 2017: p. 64). Although the U.S. government attempted to avoid openly supporting the Nationalist government’s war against the Communists, it nevertheless provided limited military assistance to the Republic of China during the Civil War. The strategic imperative to contain communism drove much of this support, framing the Chinese Civil War as a critical front in the emerging global Cold War rivalry. This material aid, though officially limited, represented a de facto commitment by the United States to the Nationalist cause in their fight for political control of the mainland.

In 1946, the United States supplied China with economic and military aid under the Lend-Lease program. During that year, the U.S. sold the Nationalist government ammunition valued at \$94,297,895, as well as aircraft and aircraft engines worth approximately twenty-five million dollars. Moreover, in 1948, Washington and the ROC signed the “Agreement on Naval Cooperation”(Foreign Relations of the United States, 1948, The Far East: China, Volume VIII: Document 122). Under this agreement, the United States transferred 125 naval vessels to China, with an estimated total value of \$129,565,000. An additional four additional vessels, valued at \$17,600,000, were scheduled for transfer by January 1, 1949. Moreover, of the \$400,000,000 in American economic aid granted to China in 1948, \$125,000,000 was spent exclusively on ammunition and other military supplies (Foreign Relations of the United States, 1948, The Far East: China, Volume VIII: Document 122). This substantial investment in military hardware underscored Washington's hope that overwhelming materiel superiority could compensate for the Nationalist forces' organizational and morale challenges.

White Paper

Despite these measures, the limited military support by the United States was insufficient to prevent the collapse of the Nationalist government. As Communist forces advanced, the remaining Nationalist troops were compelled to retreat to Taiwan. In a broad context, the defeat of the KMT in Civil War also represented a significant strategic setback for the United States, which viewed the Communist victory as the “loss of China”.

In August 1949, the U.S. government published a “White Paper” on American relations with China, officially acknowledging that its China policy had failed (Foreign Relations of the United States, 1949, The Far East: China, Volume IX: Document 1443). For American policymakers, the end of the Chinese Civil War symbolized the very outcome they had feared the most. The White Paper served partly as a justification of U.S.

actions and partly as a response to domestic criticism. It outlined the missions of Dixie, Hurley, and Marshall, and documented American aid to the Republic of China from 1946 to 1948. However, Secretary of State Acheson chose not to conduct deeper inquiry into why the United States failed to protect its interests in China. Instead, he argued that nothing the United States had done—or realistically could have done—would have altered the outcome of the Chinese Civil War. According to Acheson, Chiang Kai-shek's defeat was inevitable and beyond American control (Lippmann, 1949).

The Nationalist defeat did not mark the end of U.S. policy toward China. After the KMT's retreat to Taiwan, the island assumed a new and significant role in American foreign policy. In February 1949, the United States dispatched Livingston T. Merchant to Taiwan on a diplomatic mission that lasted until May of the same year. Merchant played an important role in shaping early U.S. policy toward Taiwan, advocating a position of non-interference in the ongoing conflict between Taiwan and mainland China. He recommended limiting American economic and military assistance to the Nationalist regime, warning that increased support risked drawing the United States into a direct conflict with the People's Republic of China (PRC). Although Merchant returned to Washington in May 1949, his mission had a considerable influence on the formation of early U.S.–Taiwan (ROC) relations.

Conclusion

The economic and military agreements signed between the United States and the Republic of China from 1946 to 1949 illustrate Washington's complex and often contradictory approach to the Chinese Civil War (1946-1949). Although the United States sought to maintain influence in East Asia region and prevent the expansion of communist power, it remained reluctant to intervene directly in the conflict. Instead, American policymakers relied on a combination

of diplomatic engagement, limited economic assistance, and selective military transfers in the hope that these measures would stabilize the Nationalist regime. However, as the course of the Civil War showed that this strategy was insufficient to prevent the collapse of Chiang Kai-shek's government. The debates within the U.S. administration highlight the absence of a coherent policy. While figures such as Wedemeyer advocated stronger military involvement, others—including Secretary of State Marshall—argued that American support should remain confined to economic aid. Ultimately, the defeat of the Nationalists revealed the limitations of both approaches.

Nevertheless, the “loss of China” did not mark the end of U.S. engagement in the region. Instead, attention shifted to Taiwan, where the remnants of the Nationalist regime regrouped. Diplomatic missions such as that of Livingston T. Merchant helped shape the early contours of U.S.–Taiwan relations and laid the foundation for a new phase of American policy in East Asia. In this sense, the agreements of 1946–1949 represent both the culmination of one chapter and the beginning of another in the broader history of U.S.–Chinese relations.

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