

In this connection I have noted in your letter the statement that you were for a time under the impression that your Government was committed to the purchase of this equipment for producing ammunition. We do not know in detail what contracts, letters or other undertakings you have given the Canadian Commercial Corporation, Canadian Arsenals Limited or War Assets Corporation, but apart from those we know of no commitment binding your Government to the purchase of this equipment.

I am telegraphing our Embassy in Washington to inform Dr. Wang that we are unable to approve his application No. CA-41 for reasons that are being explained to you.

Yours truly,
R.B. BRYCE

948.

DEA/6993-C-40

*Note du directeur de la Direction économique du ministère des Finances
pour le sous-ministre des Finances*

*Memorandum from Director, Economic Division, Department of Finance
to Deputy Minister of Finance*

Ottawa, February 5, 1947

RE CONVERSATION WITH CHINESE ON CREDITS

Mr. Chow, head of the Chinese Government Supply Agency here, together with Mr. Ku of that agency and Mr. Roy Peers,¹ came in to see me at 5 o'clock last night, at their request, to discuss a number of matters relating to our credit arrangements.

I took the opportunity of handing Chow and discussing with him my letter of February 4, telling him that we could not agree to finance the large ammunition plant out of the credit. They took this decision with very good grace and realized our position. In explaining the situation I apologized for having to take this action at such a late date in their discussions and negotiations, and said that no doubt some of our people must share a portion of the blame for having proceeded so far in the matter without clearing it with this Department. I asked them to express to General Kiang² my personal regrets at having to give him this news at such a late date, after the efforts he had made to have this program approved in China.

In the course of explaining our position, I took occasion to say that the Cabinet, in agreeing to this \$25 million portion of the loan, had had in mind that it was largely to cover the cost of items which the Canadian Government itself had in its

¹Agent de liaison entre l'Agence d'approvisionnement du gouvernement chinois et le gouvernement canadien.

Liaison Officer between Chinese Government Supply Agency and Canadian Government.

²Ancien directeur de l'Agence d'approvisionnement du gouvernement chinois.

Former Director, Chinese Government Supply Agency.