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I wish also to record that it is the intention of the two Governments that a certain proportion of the Canadian dollar requirements of China shall be covered by the purchase from Canada of Canadian dollars for gold or foreign exchange convertible into gold. To implement this intention, it is understood that the Government of China will during or at the end of each half year, during which the credits referred to in this letter are being drawn upon, acquire Canadian dollars by the sale to Canada of gold or foreign exchange convertible into gold in an amount not less than twenty per cent of the amount of the credit drawn during each such half year. It is understood that the Canadian dollars so acquired will be used to meet the current requirements of China in Canada, including purchases of the Government of China or its agencies and including Canadian shipping services and marine insurance charges. Any purchases of Canadian dollars for gold or foreign exchange convertible into gold during the first half of 1946 prior to the signing of this agreement shall be regarded as coming within the amount of such required purchases during the first half of that year. These agreed purchases of Canadian dollars for gold or foreign exchange convertible into gold shall be reduced by an amount equal to the Canadian dollar equivalent of any United States dollars or other foreign exchange convertible into gold paid by Chinese importers for imports from Canada during each half year in question, provided that the Government of China supplies satisfactory evidence of such payments and they are verified by the Foreign Exchange Control Board of Canada. In case the amount of such Chinese imports from Canada in any half year exceeds the required purchases of Canadian dollars for that period, the excess shall be carried over to the succeeding half-year period or periods.

I would appreciate it if you would confirm the understanding set forth above, and also if you would inform me from time to time of the representatives of the Government of China who will agree with the Departments of Trade and Commerce and of Finance upon the program of purchases to be covered under this agreement.

Yours very truly,

J. L. ILSLEY,

Canadian Minister of Finance.

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The Ambassador of China to the Canadian Minister of Finance.

OTTAWA, February 7, 1946.

Dear Sir,

I take pleasure in acknowledging receipt of your letter of today's date relative to the agreement signed today for the provision of a credit of \$60,000,000 to my Government under the Export Credits Insurance Act, in which you were good enough to place on record our understanding regarding certain points in connection with the use of the credit and about purchases which China will make in Canada, to be financed by Canadian dollars acquired from the sale of gold or foreign exchange convertible into gold.

In the name of my Government I wish to confirm the understanding referred to above. I shall be pleased to inform you from time to time of the names of my Government's representatives who will agree with the Departments of Trade and Commerce and of Finance upon the program of purchases to be covered under this agreement.

Yours very truly,

LIU SHIH SHUN,

Ambassador of China.