

CHAPITRE XVII/CHAPTER XVII
RELATIONS AVEC LA CHINE
RELATIONS WITH CHINA

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DEA/6993-C-40

*Le directeur de la Direction économique du ministère des Finances
au directeur de l'Agence d'approvisionnement du gouvernement chinois*

*Director, Economic Division, Department of Finance
to Director, Chinese Government Supply Agency*

Ottawa, February 4, 1947

Dear Mr. Chow:

RE FINANCING AMMUNITION PLANT

We have been giving careful consideration to the information you provided to us by discussion and in your letter to me of January 22† on this subject, and also to the other information on this matter which we have been able to obtain from various Departments and agencies of the Canadian Government. I have discussed the matter with officials of Trade and Commerce, External Affairs, the Canadian Commercial Corporation, the War Assets Corporation and Canadian Arsenals Limited, and also with the Minister and the Deputy Minister of Finance. We all regret very much that this proposal was not cleared at an earlier date with the Department or Minister of Finance, but we can understand that you might well have assumed that the others with whom you were discussing it would have cleared it with us, while they may have thought that you did so yourselves.

I am now instructed to inform you that we cannot agree to the inclusion of this large ammunition plant in the program of purchases to be financed under the credit agreement. As you know, the \$25,000,000 portion of the credit was reserved for the purchase of certain categories of supplies, and we cannot regard the substantial items of new equipment and substantial new services required for this large ammunition plant as coming within those categories. We are prepared to agree, of course, to the use of this portion of the credit for the purchase from the War Assets Corporation of the surplus equipment for the production of 9 mm. and .303 ammunition, which was offered to you in August 1945 by the Mutual Aid Administration, and we are also prepared to agree, as we were then, to the use of an additional amount of this portion of the credit, equal to 33⅓% of the purchase price of the equipment from War Assets Corporation, for the purpose of meeting the costs of converting some of this equipment to the production of ammunition of other calibres, putting the equipment in shape for use, and preparing it for shipment. If you wish to proceed with this more limited project, discussed in 1945 with Mr. Fraser, we would be glad to consider for approval a specific proposal of that nature.