

have come up in the way of the working of the Security Council with its veto powers have also come up in the Far Eastern Commission although its work has been carried on in camera.

The international conditions under which a settlement with Japan was originally envisaged in the initial work of the Far Eastern Commission changed a great deal with the growth of certain underlying tensions in the Far East that have been magnified since that date. The Far Eastern Commission is still making some progress in relation to some of the smaller problems but the great fundamental ones, such as levels of industry in Japan, reparations and so on—well, little progress has been made in the last year or so and I think it is only natural to expect that an organization set up for a temporary purpose and, particularly in view of these underlying tensions, and with a veto power, should slow down after a certain length of time.

Q. It is really not functioning very effectively at the moment?—A. It is not functioning very quickly. It depends upon whose definition of effectiveness is given. In our view it is not effective.

*By Mr. Graydon:*

Q. May I ask one more question about China? Has any move been made by Chiang Kai-Shek to form a government in exile, as has been done in some other similar circumstances in other countries?—A. There is no reason to form a government in exile at the present time. The government began to withdraw from its most recent seat in Chungking to Chengtu the other day. It still commands twenty per cent of the territory of China. It still has quite a large and reasonably secure base in Formosa with an air force, the navy and a fairly substantial army of 400,000 men.

Q. I take it your view is then that the Nationalist government can hold out for some considerable time and that there would not be any necessity for any plans for an exile administration?—A. If they are planning an exile administration I am not aware of it.

*By Mr. Green:*

Q. What is the attitude of the communist government towards trade with the western countries?—A. I think they are anxious to resume trade as it appears to be advantageous to them. They have taken over some of the trade monopolies of the National government in the export field and I am given to understand they have expanded them. They have imposed a great number of regulations to ensure that the small amount of goods they have for export that are valuable to the world will bring them as much in the way of returns, of the type of thing they consider to be essential to their country, as possible.

Q. Is trade being carried on there to any extent?—A. There is a fairly considerable amount of trade at Tientsin.

Mr. FRASER: Have they taken over any Canadian interests?

The WITNESS: Not that I am aware of.

Mr. BATER: Is it safe to conclude that the communist control about 80% of China at the present time?

The WITNESS: It is very difficult to say, with rough areas of China and vast spaces in the northwest which may not be immediately occupied but which are not densely inhabited. There are areas in south Sinkiang and Nearer Tibet and so on which are very extensive in size and therefore the figure may run anywhere from 70% to 80%.

*By Mr. Winkler:*

Q. I understand the witness to say that communist China does not recognize the embassies of countries which do not recognize it?—A. Yes.