

APPENDIX

EXCHANGE OF NOTES (FEBRUARY 7, 1946) BETWEEN CANADA AND CHINA RELATING TO THE FINANCIAL AGREEMENT SIGNED FOR THEM AT OTTAWA, FEBRUARY 7, 1946.

I

The Canadian Minister of Finance to the Ambassador of China

OTTAWA, February 7, 1946.

Dear Sir,

At the time of signing today with you the agreement for the provision of a credit of \$60,000,000 to the Government of China under the Export Credits Insurance Act, I desire 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 paragraph 4 of the agreement it is specified that the Government of China will expend the moneys received by it under this agreement for the purpose of purchasing Canadian-produced goods in accordance with a program to be agreed from time to time by the Canadian Minister of Trade and Commerce and myself on the one hand, and by representatives of the Government of China on the other. In this connection I wish to place on record that it is our understanding that \$25,000,000 of the \$60,000,000 provided in the credit will be reserved for the purchase of supplies and equipment which had been requested by China from Canada as Mutual Aid, other items in production in Canada at September 1, 1945, which are surplus to Canadian requirements, and also certain items of used industrial equipment which China had sought to purchase from Canada, together with the costs of reconversion and completion of such equipment for Chinese use and its preparation for shipment.

The remaining \$35,000,000, it is understood, will be available for purchasing equipment, supplies and services desired by the Government of China in Canada for reconstruction and other post-war purposes, items of which are to be agreed from time to time with the Canadian Departments of Trade and Commerce and of Finance, as specified in the agreement. I have noted your request to be permitted to use the credit in paying the cost of transporting goods from Canada to China in Canadian ships. At present our legislation and the regulations under it do not make this use of the credit possible, but the legislation and the regulations may be changed in this regard, and if that is done my colleague, the Minister of Trade and Commerce, and I will be prepared to give sympathetic consideration to the inclusion in the program of the costs of shipping goods to China in Canadian Vessels.

I wish also to record that I am prepared to agree to the redemption, under paragraph 10 of the agreement, of the bonds to be given in accordance with the agreement, out of any Canadian dollars accruing to the Government of China from current account transactions between Canada and China. I am also prepared to agree to the use in the repayment of the credits advanced under the agreement, or for redemption under paragraph 10 of the agreement, of Canadian dollars acquired by China from the International Monetary Fund or the International Bank for Reconstruction and Development. I wish also to confirm our understanding that the Foreign Exchange Control Board (or its successor agency) will sell to China Canadian dollars in exchange for United States dollars, at the official rate in force on the day of the transaction, for the purpose of making repayments of the credit provided under the agreement signed today.