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*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

DESPATCH 1872

Ottawa, September 25, 1947

SECRET

Sir:

I refer to your Despatch A.774 of September 18th[†] concerning the sale of 174 military aircraft to the Chinese Government.

This transaction has not yet been finalized and at the present time there is some doubt whether the sale will be made because agreement on method of payment does not seem possible. Some weeks ago, the Chinese submitted a request to purchase these aircraft from Canada at a price of approximately \$2,500,000. The sale was to be financed from drawings on the credit extended to China, and of which some \$14,000,000. still remain unexpended.

Certain reconversions and servicing of the planes were required to be carried out and it was estimated that this would amount to approximately \$3,000,000., which would be paid for in U.S. dollars.

In addition, certain arms and ammunition were requested for these planes to a total of about \$3,500,000. and this equipment was also to be paid for with U.S. funds.

The request was submitted to Cabinet and in view of the amount of U.S. currency which would be realized from the transaction, the sale was authorized. However, the Chinese now wish to have the planes, the reconversions, and the armament all paid for from the Canadian credit, but they have been advised that the sale can only be completed in accordance with the original terms of payment.

This proposed sale does not reflect any change in Canadian policy, but should be regarded as an exception to our general embargo on the shipment of arms and ammunition in China,⁴ which was accepted principally because it involved some 6,000,000 U.S. dollars for Canada.

I have etc.

H.O. MORAN
for Secretary of State
for External Affairs

⁴Voir les documents 930-931./See Documents 930-1.