

arrived in Shanghai or Hong Kong. Of the three larger vessels which have not yet left Canada and which in value account for approximately \$7.3 million of the total program, one is due to leave Canada in a few days time.

The Canadian Ambassador to China has been requested to obtain from Ming Sung Company officials information regarding the use to which these vessels will be put and the precautions that may be taken to prevent them from falling into Communist hands. The Ambassador has been in touch with the President of the company and advises that the company does not propose to take any chances and that, if there is any danger, the ships which have already arrived in Shanghai will sail immediately for Hong Kong and the rest detained in Hong Kong pending developments in China.

Because of the situation which has now arisen in China, two questions present themselves at this time regarding the Chinese credit arrangements. In the first instance, we have to consider what effect the present political developments in China are likely to have upon the ability of the Chinese authorities to repay the credits in the future. If it is concluded that there is a strong likelihood that the present Chinese authorities or their possible successors will be unable, or unwilling, to repay the credits, we should consider whether it is desirable to continue to approve further applications for withdrawals from the credits.⁴

The second matter that has to be considered is whether in the light of overall political considerations shipments of goods already paid for out of the credits, such as the Ming Sung ships, are henceforth to be allowed to go forward.⁵

I feel that these are matters of some urgency, and shall be grateful if immediate consideration could be given to them.

Yours very truly,
D.C. ABBOTT

1114.

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Le premier ministre au ministre des Finances
Prime Minister to Minister of Finance

CONFIDENTIAL

Ottawa, December 14, 1948

My dear Colleague:

You will perhaps wish to bring before Council the matter of further advances to China.

My own view is that it would not be desirable to continue to approve the further application for withdrawals from the credits but it would seem to me that we could

⁴ Note marginale :/Marginal note:
No — but stall.

⁵ Note marginale :/Marginal note:
Yes — for same reason Embassy remains in Nanking.