

assume that the removal of vessels from Hong Kong indicated bad faith and take all possible action against any assets of the Company wherever found as well as to strike the vessels off Canadian registry. On the whole the second course appeared the most desirable.

14. The Secretary of State for External Affairs pointed out that the position had become more difficult since vessels nominally Canadian had taken refuge in communist Chinese ports. Adoption of the second course would look like a reversal of government policy under pressure from the Company while the vessels were kept in communist territory. As long as fighting in Korea continued, it would be a source of embarrassment to have vessels of Canadian registry carrying on trade with China. The fourth course would do away with the continuing problem.

15. The Prime Minister pointed out that there appeared to be no possibility of carrying through proceedings against the vessels, whether they were technically on Canadian registry or not. Accordingly, it might be desirable to explore the possibility that they might be transferred to British or some other registry. Transfer to British registry would be logical since the Hong Kong contraband list was under British control and they were in a position to police the cargoes that were carried. The Canadian government could not do so. If the Company were not willing to make a transfer of registry with the objective of continuing in business and paying off their obligation to the Canadian banks, action could be then taken along the lines of the fourth suggestion, including removal of the exemptions now accorded to the vessels and cancellation of their Canadian registry.

16. The Cabinet, after considerable discussion, noted the report of the Minister of Finance concerning action following the default on amounts owing by the Ming Sung Industrial Company and agreed that the possibility be explored of having a transfer of registry of the vessels in accordance with the suggestion of the Prime Minister.

Egypt; support of U.K. position

17. The Secretary of State for External Affairs, referring to discussion at the meeting of

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