

the extension of the period of use of the credit. They quite welcomed this suggestion and said they would be glad to cover the two items at once. I suggested that we might speak to their Ambassador about it, in view of our conversation last week on this matter.

R.B. BRYCE

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*Rapport sur la réunion du Comité du Cabinet  
sur la politique du commerce extérieur*

*Report on Meeting of Cabinet Committee  
on External Trade Policy*

CONFIDENTIAL

Ottawa, March 4, 1947

CREDITS TO CHINA; FUTURE POLICY

The Cabinet Committee on External Trade Policy on January 23rd, 1947 directed the Interdepartmental Committee to consider the problem of future policy in credits to China (CCETP Document No. 2).†

Accordingly the Interdepartmental Committee met on January 29th and again on Friday, February 7th and on Thursday, February 27th and discussed amongst other matters Government policy on loans to China.

It will be recalled that at the time when the loan agreement was signed with the Chinese Government it was decided that \$35,000,000 would be an appropriate figure for that part of the loan which was to be used for ordinary commercial purposes. An additional \$25,000,000 was agreed upon to pay for "supplies and equipment which had been requested by China from Canada as Mutual Aid, other items in production in Canada at September 1st, 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 cost of reconversion and completion of such equipment for Chinese use and its preparation for shipment."

The position of the Chinese credit as at March 1st, 1947 is as follows:

	<u>Advanced</u>	<u>Net Amount Encumbered</u>	<u>Total</u>
\$35,000,000	\$10,945,418.44	\$6,871,552.37	\$17,816,970.81
25,000,000	<u>7,892,522.76</u>	<u>40,171.64</u>	<u>7,932,964.40</u>
Total	\$18,837,941.20	\$6,911,724.01	\$25,749,665.21

The Chinese have now requested that the uncommitted portion of the \$25,000,000 (that is, approximately \$17,000,000) be transferred to the \$35,000,000 part of the loan and added to the unexpended dollars there available to the Chinese Government.

It was noted that when this credit agreement with China was made the Government had in mind only \$35,000,000 as the amount of the credit that would be utilized for purchasing items other than those already owned or being purchased under contract by the Canadian Government. The remaining \$25,000,000 was