

Business as Usual: Canadian Relations with China in the 1940's

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Article abstract

Cet article retrace l'évolution de la politique canadienne vis-à-vis de la Chine nationaliste durant les années précédant 1949 en analysant l'élément principal de cette politique, soit, celui de la fourniture d'armes pendant et après la guerre contre le Japon. L'auteur examine d'abord brièvement les débuts de la mission canadienne à Chungking, puis, le programme canadien d'aide mutuelle établi pendant la guerre, et enfin, les dédales de la politique régissant la vente d'armes après la guerre.

Il appert donc que l'établissement d'une véritable représentation diplomatique en Chine ait été assez fortuite puisqu'elle a suivi les demandes faites à cet effet pour le Japon. Nonobstant, de 1943 à 1947, le gouvernement canadien s'est montré un fidèle supporteur du gouvernement de la Chine nationaliste, motivé qu'il était par les avantages économiques qu'il escomptait en retirer éventuellement. Et ce sont d'ailleurs ces mêmes motivations économiques qui ont été à la base des diverses ventes d'armes consenties après la guerre.

Au fait, bien qu'il puisse sembler que le support militaire apporté par le Canada à la Chine nationaliste ait pu résulter d'un certain anti-communisme, il n'en est pas ainsi. C'est avant tout, de dire l'auteur, le désir de faire progresser l'économie canadienne qui a présidé à toutes les décisions concernant l'aide à la Chine pendant les années quarante.

Business as Usual: Canadian Relations with China in the 1940's

KIM RICHARD NOSSAL

When the Chinese Nationalist government evacuated the capital of Nanking in January, 1949, to retreat before the Communist southward offensive, it extended an invitation to the diplomatic community to join it in Canton. The Canadian ambassador in Nanking at the time, T.C. Davis, politely declined the offer and waited with other diplomatic missions for the arrival of the Communists. It was hardly a mark of Canadian confidence in the ability of the Kuomintang to survive as the government of China.

The government in Ottawa had not expressed such doubts in the years before the victory of the Communist forces: the Canadian government had sent the Kuomintang not inconsiderable military aid during the Second World War and had allowed the Nationalists to buy Canadian war surplus materiel in the immediate postwar period. Canadian Mosquito fighter-bombers, shipped to China as late as 1948, had participated in Nationalist air force strafings of Communist-held cities. In all, \$100 million was given or loaned to the Nationalist government, much of it for military equipment.

The purpose of this paper is to trace the evolution of Canadian policy towards the Nationalist government in the years before 1949. Its focus will be on the dominant aspect of Canadian policy—the supply of arms, both during and after the war against Japan.¹ It examines briefly the opening of the Canadian mission in the wartime capital of Chungking, the wartime Canadian Mutual Aid programme for China, and the often contorted path of postwar arms sales policy.

Although the *prima facie* evidence suggests that the Canadian government, by supplying the Nationalists with arms, intervened in the Chinese civil war against the Communists, this paper argues that Ottawa's intentions had little to do with the ideological considerations of the Cold War and that the policy of military aid to the Kuomintang in a civil war situation was shaped rather by economic considerations and bureaucratic politics.

1. A more detailed examination of Canada's China policy is presented in Kim Richard Nossal, "Strange Bedfellows: Canada and China in War and Revolution, 1942-1947", (Ph.D. thesis, University of Toronto, 1977). It should be noted that when research was undertaken in 1974 and 1975 access to External Affairs records had been granted to the end of 1947; however, only those Public Archives of Canada records open to 31 December 1945 were available.

I

Canada had been at war for two years before the government in Ottawa decided to improve its relations with the Chinese government in Chungking. It was, however, almost an afterthought: Ottawa had decided—somewhat inopportunistically²—to respond to Japanese complaints about the lack of senior-level diplomatic representation in Tokyo.³ Escott Reid, then a second secretary in the Department of External Affairs, urged that, if a minister were sent to Japan, consideration be given to the establishment of a legation in Chungking, “otherwise Canada’s action might be interpreted by China as indicating a policy of appeasement at China’s expense.”⁴ The Undersecretary of State for External Affairs, Norman Robertson, took Reid’s suggestion to the Prime Minister, Mackenzie King, claiming that the appointment of a Canadian minister to the Chinese capital would be “well-received.”⁵ The suggestion was at least well received by King and the appointment was approved by Cabinet on 31 July 1941.⁶ The Canadian move was also welcomed in Chungking: The Waichiaopu—the Chinese foreign office—hastily named Liu Shih Shun, a senior diplomat, as minister to Ottawa.⁷ To the House of Commons, King promised that a minister would be named to the Chungking post “in due course.”⁸ Much to the chagrin of the Chinese, “in due course” would stretch into a year, partly as a result of Canadian lassitude and partly because of the difficulty of finding a suitable candidate once the search was started in 1942.⁹

The government’s first choice, Edgar Tarr of Winnipeg, declined the offer, but suggested that “the appointee should not be a man who has gained his standing . . . in either the military field or the business field.”¹⁰ Tarr’s advice went unheeded: King approved the appointment of Major General Victor Wentworth Odlum, an insurance businessman and active Liberal from Vancouver who had commanded the Second Canadian Division in the south of England from 1940 to 1941. In October, 1941, he had been relieved of command,¹¹ and the prime

2. The Canadian move came shortly after the freezing of Japanese assets by the western powers: see J.W. Pickersgill, ed., *The Mackenzie King Record*, vol. 1, 1939-1944 (Toronto: University of Toronto Press, 1960), pp. 207-8. For the American and British reaction, see Canada, Department of External Affairs, *Documents on Canadian External Relations*, vol. 7, 1939-1941, Part 1, D.R. Murray, ed., (Ottawa: Information Canada, 1974), docs. 149-50. (Hereafter cited as *Documents*.)
3. Keenleyside to Robertson, 4 February 1941, *Documents*, vol. 7, doc. 143.
4. Reid to Robertson, 17 June 1941, in *Ibid.*, doc. 130.
5. Robertson to King, 24 July 1941, in Canada, Department of External Affairs, *External Affairs Records*, file 2172-40. (Hereafter cited as *Records*.)
6. Order-in-Council P.C. 5824, 31 July 1941.
7. See *Documents*, vol. 7, doc. 136.
8. Canada, Parliament, House of Commons, *Debates*, 1941-42, p. 4459.
9. See *Records*, file 2172-40; it was not until after Liu’s arrival in Ottawa in February, 1942, that the search was even started.
10. Tarr to Robertson, Winnipeg, 28 August 1942, in Public Archives of Canada (PAC), *King Papers*, Notes and Memoranda, “Canadian Representation in China”.
11. Partly because he was approaching compulsory retirement age and partly because his corps commander, General A.G.L. McNaughton, claimed he was “showing signs of advancing years”. Telegram 1732, McNaughton to King/ Crerar, London, 25 September 1941, *Records*, file 30-M-40.

minister had taken the opportunity to fill a vacant diplomatic post by appointing a reluctant Odlum as high commissioner to Australia.¹² Odlum's transition to diplomacy was marred by a penchant for the undiplomatic: soon after his arrival, he hinted to the Australian government that Ottawa might be willing to send a Canadian division to Australia to help deter a possible Japanese invasion.¹³ The Canadian government had no such plans to engage in what Odlum had termed "a hammerstroke for Empire solidarity".¹⁴ Miffed, King wired back: "I hope that you will not give Australian Government any reason to expect dispatch of Canadian forces", and reminded the high commissioner that "Cabinet is zealous in guarding its prerogative of deciding all questions of war policy. . . ."¹⁵

Odlum had been upset over his removal from the Army and had pinned his hopes on having a Canadian division sent to Australia, thinking no doubt that he, a divisional commander, would be appointed to lead the contingent. His initial enthusiasm extinguished by King's reprimand, Odlum by his own admission¹⁶ grew more and more depressed and, in September, 1942, he was ordered back to Ottawa "for discussions" at his own request.¹⁷

His return to the Canadian capital coincided with the government's fruitless search for a suitable candidate to fill the Chungking posting. Odlum's seniority and his knowledge of the Pacific theatre were, it seems, attractive to Mackenzie King, for in October the prime minister offered Odlum the Chungking post.¹⁸ In early 1943, Odlum, his counsellor, George Patterson (a secretary recruited from the YMCA in Toronto, and who himself had been considered and turned down for the ministership), and the legation's third secretary, Ralph Collins,¹⁹ flew into Chungking to establish the first Canadian diplomatic presence in China.

II

With the opening of the legation (its status was raised to embassy in 1944), considerable bureaucratic discussion about how best to give some substance to the *de facto* alliance between Canada and China began in Ottawa. One of the first

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12. Order-in-Council P.C. 8672, 6 November 1941. Odlum proved to be most resistant to the idea, which accounts for the flattering tone of the prime minister's correspondence to him; see, for example, the letter quoted in James Eayrs, *In Defence of Canada*, vol. 3: *Peacemaking and Deterrence* (Toronto: University of Toronto Press, 1972), p. 49.
 13. See telegram 5, Odlum to King, Canberra, 10 January 1942; telegram 8, Odlum to King, Canberra, 12 January 1942, in *King Papers*, Primary Correspondence, 1942, vol. 331.
 14. Odlum to King, Cairo, 18 December 1941, *Ibid.*, 1941, vol. 313.
 15. Telegram 9, King to Odlum, Ottawa, 12 January 1942, *Ibid.*, 1942, vol. 331.
 16. "I am sick at heart," Odlum wrote Ian Mackenzie, King's Minister of Pensions and National Health and an old friend from Vancouver. "I do not let anyone see that I am dying inside." Canberra, 28 May 1942, *Ibid.*
 17. Telegram 159, King to Odlum, Ottawa, 4 September 1942, *Ibid.*
 18. *Globe and Mail*, 5 November 1942.
 19. Collins, at present External's Chief Air Negotiator, was in 1971 appointed the first Canadian ambassador to the People's Republic of China.

tasks seen as important by those shaping policy was the creation of goodwill in China to dissipate the ill effects of Canadian policy towards Japan in the 1930's. This proved to be a key concern to nearly all Ottawa officials charged with the formulation of China policy during this early period.

The prime reason for the creation of goodwill was the lure of increased trade with China after the war. The century-old (and somewhat mythical) prospect of opening the massive Chinese market to Canadian manufactured goods²⁰ proved no less appealing to Ottawa policy-makers in the early 1940's. The hopeful note in a Department of Finance memorandum was indicative of the mood: "[T]rade with the Far East is one of the really large possibilities after the war—economically a gamble admittedly, but one of the few which might turn out successfully on a very large scale. . . . I think Canada is probably in a position to get a substantial share of this trade if we make an effort. . . ." ²¹

If goodwill was to spur trade, aid was to spur goodwill. From 1943 to 1947, Ottawa extended nearly \$100 million to the Nationalist government, much of it granted outright, most of it for military materiel. In the early part of the Sino-Canadian relationship, it was felt in Ottawa that by supplying Chiang Kai-shek's government with much-needed military aid, two objectives could be achieved. First, the goal of aiding an ally in the war effort against Japan was not absent in the minds of Canadian policy-makers; secondly, a reservoir of goodwill would be created that could be readily tapped after the war.²² With these ends in mind, China was added as a recipient—albeit a minor one—of Canadian Mutual Aid, a military assistance programme established in 1943 and designed primarily to help the British war effort.²³ The Mutual Aid Board—the ministers overseeing the programme—began by enthusiastically approving an initial allocation of \$52 million in supplies for China.²⁴ However, the CMAB, despite its eagerness to

20. For one account of nineteenth-century Canadian views of the bright promise which China held in terms of trade, see Charles Woodsworth, *Canada and the Orient* (Toronto: Macmillan, 1941), esp. pp. 10-2, 207.
21. Bryce to Keenleyside, 23 February 1943, *Records*, file 9030-40, vol. 1. Arthur Slaght, a Liberal backbencher, put it somewhat more aggressively: "We should . . . be able to take our rightful place in the coming new Pacific area." From Chungking, Odlum wrote sanguinely that "China can do for the Canada of the future what Europe has done for the Canada of the present." Slaght to King, 28 September 1942, *Records*, file 2172-40; Odlum to External, 2 October 1945, *Ibid.*, file 9030-40, vol. 1.
22. The ministers overseeing the wartime aid programme for China optimistically agreed at the start that "there was a definite expectation of Canada obtaining substantial and permanent goodwill, both presently and in the postwar period, by dealing favourably with China." PAC, Canadian Mutual Aid Board, Minutes of Board Meetings, 7 May 1943.
23. For details, see C.C. Lingard and R.G. Trotter, *Canada in World Affairs, September 1941 to May 1944* (Toronto: University of Toronto Press, 1950), p. 219n; J.L. Granatstein, *Canada's War: The Politics of the Mackenzie King Government, 1939-1945* (Toronto: Oxford University Press, 1975), p. 311.
24. Canadian Mutual Aid Board, Board Minutes, 27 July 1943. This was, however, well below the \$100 million figure set by the Department of Finance: PAC, Department of Finance files, vol. 416, file 101-106-2E, Bryce to minister, 3 June 1943.

“deal favourably with China”, had not reckoned on two major obstacles to the realization of its aid programme. The opposition of the British and American governments to Canadian aid to Chiang Kai-shek was one; the other was the range of mountains separating Kuomintang China from India, the main supply base for the China theatre. The “Hump” could only be crossed by air, and air tonnage, controlled by the United States military, was at a premium.

In the initial \$52 million allocation, there were both a large number of trucks and considerable heavy artillery. The American military in Washington, with whom the Canadians were consulting on aid to China, did not react positively to this initial allocation. They were not at all pleased that the Canadians were interfering in what they considered an American theatre of war. Although there were suspicions that the United States wanted to dispose of its excess production in China, it is apparent that the War Department wanted to use the supply of materiel to Chiang to increase its leverage over the conduct of Kuomintang military operations against the Japanese.²⁵ In addition, President F.D. Roosevelt wanted China to be a strong Pacific power after the war, and was not averse to using the American aid carrot over Chiang’s head to get the Generalissimo to agree to changes in his administration that would eliminate the draining effects of the Kuomintang-Communist dispute.²⁶ Laughlin Currie, the American Lend-Lease administrator for China, perhaps best expressed what was called the “quid pro quo” policy when he noted that “In view of the dependence by China on us for continued aid, it is not anticipated that any difficulty of noncooperation will be experienced.”²⁷ War Department officials made it quite clear to the Canadians in Washington that the Canadian aid programme for China was not appreciated: General Lucius Clay, in charge of munitions assignments for the Combined Chiefs of Staff (CCOS), offered to buy the entire Canadian allocation for China—for cash.²⁸ From the American capital, Harry Carmichael, chief of production in the Canadian Department of Munitions and Supply, complained to External Affairs that the United States was “anxious to monopolize the provision of munitions to China, and to exclude other supplying countries.”²⁹ In response to War Department complaints over the weight of the initial shipment, the Mutual Aid Administration in Ottawa agreed to cut drastically production for the Chinese account, limiting the first shipment to light artillery, ancillary equipment for this artillery, and small arms and ammunition.³⁰

25. See, for example, United States, Department of State, *United States Relations with China, with special reference to the period 1944-1949* (Washington: US Government Printing Office, 1949), pp. 69-70.

26. Barbara Tuchman, *Stilwell and the American Experience in China, 1911-45* (New York: Bantam, 1972), pp. 460-1.

27. *Ibid.*, p. 408.

28. Wrong to Pearson, 14 October 1943, *Records*, file 4929-F-40, vol. 1. Clay wanted an end to all aid for Chiang, even suggesting that American supplies be provided to provincial warloads opposed to Chiang as a means of “breaking” him. Tuchman, *Stilwell*, p. 529.

29. Wrong to Pearson, 14 October 1943, *Records*, file 4929-F-40, vol. 1.

30. Howe to Soong, 25 September 1943, *Ibid.* Also, CMAB, Board Minutes, 13 December 1943, 14 January 1944.

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By February, 1944, the first shipment of Canadian Mutual Aid to China had been assembled in Vancouver for transport to Karachi, where it was to wait either for the opening of a ground route into Kuomintang China through the Soviet Union, or for transshipment to Calcutta and thence over the Hump by air. It was not until after the shipment had left Canada that the British military in Washington noticed the inclusion of 644 trucks, trailers and several tons of instrumentation—the ancillary equipment for the artillery—in the ships' manifests. The British were not pleased. On the one hand, the government in London was unhappy over the prospect of a strong postwar China, seeing a possible threat to the re-establishment of British power in the Pacific after the war.³¹ On the other hand, there were also short-term logistical problems. The British military were convinced that the heavy equipment would never reach China and annoyed at both the waste of this materiel and the congestion it would cause at Karachi. Members of the British Joint Staff Mission in Washington took the Canadians to task, telling Maurice Pope of the Canadian Joint Staff mission that the shipment was not helpful to the war effort and Lester Pearson of the embassy that Canada "had no business" sending trucks to India.³² The British sent the Mutual Aid Administration a stiffly worded suggestion that in future no unilateral action should be taken on supply for China.³³

The squabbles with both the American and British military in Washington considerably dampened the initial enthusiasm of External Affairs. By March, 1944, Hume Wrong, the Assistant Undersecretary of State for External Affairs, was arguing strongly before the Mutual Aid Board that the programme for China be reviewed.³⁴ The Board's chairman, C.D. Howe, Minister of Munitions and Supply, whose own department was coordinating production for the Chinese account, was not inclined to disrupt the programme. On Howe's initiative, the Board agreed to continue assembling a second shipment of materiel for China; to placate External Affairs, the Board decided at the same time to refer the question of the Canadian China programme to the Combined Chiefs of Staff.³⁵ The CCOS delivered its verdict on 14 May 1944: it decided that it would be too embarrassing to halt the entire programme, but that all future shipments should be limited to small arms and ammunition light enough to be flown over the Hump.³⁶

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31. As British Foreign Secretary Anthony Eden told Roosevelt, he "did not much like the idea of the Chinese running up and down the Pacific." Quoted in Tuchman, *Stilwell*, p. 473.
 32. Pope to Pearson, Pearson to Wrong, 19 February 1944, *Records*, file 4929-F-40, vol. 2. John Hickerson, a State Department official responsible for monitoring Commonwealth relations, noted to his superiors that there had been "acrimonious discussion" between the Canadians and the British over what he termed "the obvious foolishness" of sending trucks to India. US, Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1944*, vol. 6: *China* (Washington: US Government Printing Office, 1967), p. 973. (Hereafter cited as *FRUS, 1944*.)
 33. British Joint Staff Mission to Pope, 24 February 1944, *Records*, file 4929-F-40, vol. 2
 34. CMAB, doc. 54, 29 February 1944, *Ibid.*
 35. Robertson to King, 2 March 1944, *Ibid.* King's approval appended.
 36. Robertson/Wrong to King, 23 May 1944, *Ibid.*, vol. 3.

This decision posed something of a problem for the Mutual Aid Administration. For a second shipment had been assembled by this time, including 375 trucks, forty-eight Bofors anti-aircraft guns, and other heavy items—all prohibited by the CCOS. At meetings of the Mutual Aid Board and of the War Committee of Cabinet, C.D. Howe and Karl Fraser, the Mutual Aid Administrator, plumped hard for sending the supplies forward, arguing that the CCOS decision did not cover shipments already assembled. Their enthusiasm apparently stemmed from a production surplus, making the immediate shipment of the materiel vital.³⁷ Ranged against Howe and Fraser was opposition from the senior echelon of External Affairs and from the British and American military³⁸ in Washington. Nonetheless, Howe was able to secure the agreement of the War Committee and Fraser was able to convince the Canadian-American coordinating committee in Washington;³⁹ on 15 June 1944, the second shipment left Quebec.

It was to be the last shipment for nearly a year. The Canadian stores remained in Karachi and Calcutta warehouses throughout 1944 and it became clear even to C.D. Howe that the materiel was not going to find its way into China. He thus became receptive to renewed suggestions by Hume Wrong in August, 1944, that production for the Chinese account be "diverted elsewhere",⁴⁰ and the Chinese programme ground to a halt.

It was not until the spring of 1945, with the opening of a ground route into China through Burma that the Chinese began moving the Canadian stores. At the request of the Chinese representatives in Ottawa, C.D. Howe revived the programme. Even then, only one shipment of small arms went forward. For it had been decided after the quarrels in 1944 over the heavy equipment that all Chinese requests for Canadian aid would have to be cleared by the American theatre commander in China, General A.C. Wedemeyer, who dealt with renewed Chinese orders for Canadian heavy equipment simply by allowing them to accumulate on his desk throughout the spring. In June, 1945, he vetoed all of them, suggesting that Ottawa store the materiel until a seaport on the China coast was opened.⁴¹

Canadian efforts to aid China during the war were frustrated by the incompatibility of Canadian and American policy goals. The United States military in

37. This at least was Pearson's explanation: see Pearson to Wrong, 31 May 1944, *Ibid.*

38. William Batt of the United States War Production Board and member of the Canadian-American co-ordinating committee in Washington "hit the ceiling", calling the Canadian shipment "complete foolishness". *FRUS, 1944*, pp. 973-4.

39. How Fraser managed to overcome the opposition ranged against him in Washington is not clear. A chagrined Pearson reported to Ottawa that Fraser "took advantage of confusion" at the committee meeting to win approval for the shipment. Pearson to Wrong, 31 May 1944, *Records*, file 4929-F-40, vol. 3.

40. "We have done quite as much as we are justified in doing by establishing a stockpile in India", Wrong wrote to Howe, 2 August 1944, *Ibid.*

41. Telegram 133, Odlum to External, Chungking, 4 June 1945, *Ibid.* Odlum added that he felt that Wedemeyer's attitude underscored the fact that Canadian assistance in the China theatre was "not being sought".

both Washington and Chungking were indifferent to the aims of Ottawa's mini-scale⁴² programme. The Canadians themselves, particularly Howe and Fraser, allowed enthusiasm to blind them to the formidable obstacle imposed by the Hump. As a result, the wartime programme floundered. As the war drew to a close, there was renewed optimism in Ottawa that the postwar programme in China would fare better.

III

The question of postwar reconstruction aid from Canada had been raised as early as November, 1944, when the Chinese ambassador had asked the Department of Finance for a \$50 million credit for reconstruction projects. External Affairs scotched the idea, claiming that it would be unwise to give the Nationalists anything that would free funds to be used to purchase munitions for use in the civil war.⁴³ Undaunted, the Chinese approached the Mutual Aid Board in the spring of 1945, requesting \$220 million in reconstruction and military aid. This time, the request was forwarded to an interdepartmental committee which proved to be more accommodating than External Affairs had been. Over the objections of the External Affairs representative,⁴⁴ the committee reported to Cabinet that "while there were political and economic risks involved in credits to China, the risks might well be considered worth running, in the interests of improving the well-being of China, and improving in turn trade prospects."⁴⁵ Prime Minister King was of a similar disposition. It appears that the visit by Chinese premier T. V. Soong to Ottawa in September, 1945, had had a favourable effect on King for, in a Cabinet meeting on 5 September, the Prime Minister sided with C. D. Howe in rebuffing the arguments of J. L. Ilsley, the Minister of Finance, that credits to China should be limited. King argued that Canada "was certainly bound to get the market if we preserved a real friendship with the Chinese" and that it was therefore an inappropriate time "to economize, beginning with China".⁴⁶

The Mutual Aid Board, which was charged by Cabinet with recommending how much credit should be extended to the Nationalists, decided that \$60 million would be an appropriate figure. It also recommended that \$25 million of the credit be allocated for the purchase of military supplies which had been ordered under the Mutual Aid programme, but which had not been delivered by the end of the war.⁴⁷

42. A total of \$39.64 million was allocated to the China programme; this was a mere 0.02 per cent of the \$2.47 billion total Mutual Aid bill. Canadian Mutual Aid Board, *Final Report — 1946* (Ottawa, n.d.), p. 9.

43. Robertson to Clark (Deputy Minister of Finance), 1 March 1945, *Records*, file 50055-40, vol. 1.

44. The External representative was S. D. Pierce, head of the Economic Division, who was later to note on an internal memo that "the credit risk is bad, and . . . the Canadian trade interest will be slight for many years." Pierce to Robertson, 7 September 1945, *King Papers*, Notes and Memoranda, vol. 244.

45. Memo for file, 8 June 1945, *Records*, 4929-F-40, vol. 3.

46. *King Papers*, Diaries, 1945, 1st copy, vol. 165, pp. 853-4.

47. CMAB, Board Minutes, 13 September 1945.

This recommendation did not sit well with officials in External Affairs. In a memorandum for King, Norman Robertson argued that by allowing China to purchase Canadian arms the Canadian government could be accused of interfering in the civil war, leading to possible problems domestically and with Canada's allies.⁴⁸ However, by the time the issue reached the CMAB in the new year, Howe was able to dismiss the External Affairs claims, pointing to the 10 January 1946 ceasefire arranged by the American negotiator, General George Marshall.⁴⁹ In addition, Howe claimed that it would be "uneconomical to halt production."⁵⁰ On 5 February 1946, Cabinet agreed to the credit on the terms suggested by the Mutual Aid Board.⁵¹

IV

As the January ceasefire collapsed, the Chinese began to draw on their \$25 million military credit. In one of its last official acts, the Mutual Aid Board approved the sale of a \$3.4 million consignment of small arms ordered under the wartime programme in March, 1946; these were shipped to China later that year.⁵² As the situation in China deteriorated, the Nationalists began asking the Canadian government for armaments that had not been ordered under Mutual Aid, but which was being held as war surplus in Canada. On the advice of External Affairs, Cabinet refused all new Chinese requests, but continued to approve those orders which had been placed under Mutual Aid.⁵³

In February, 1947, pressure from other departments altered this dichotomous policy of allowing Mutual Aid arms to be shipped to China while approving no new orders for war surplus. An interdepartmental committee, comprising representatives from External Affairs, Finance, Trade and Commerce, and Reconstruction and Supply, recommended to a Cabinet committee on external trade policy that the Chinese be allowed to buy whatever they wanted from the stocks of the War Assets Corporation, a Crown corporation under C.D. Howe's administrative wing which was charged with disposing the military materiel accumulated during the war. Once again, External Affairs voiced its protests that a policy of unrestricted arms sales to China during a civil war would not only constitute interference in Chinese internal affairs, but would place Canada out of step with both Britain and the United States, which had agreed to impose an arms

48. Robertson to King, 28 November 1945, *King Papers*, Notes and Memoranda, vol. 244.

49. See, for example, John Melby, *The Mandate of Heaven* (Toronto: University of Toronto Press, 1968), pp. 69-73.

50. CMAB, Board Minutes, 17 January 1946.

51. Order-in-Council P.C. 378, 5 February 1946. Interestingly, King's initial enthusiasm for credits to China had waned. He noted in his diary three days later that "My feeling is that we are mortgaging Canada's future far too much. On top of all else are these enormous loans to China and other countries, many of which I do not believe will ever be repaid." J.W. Pickersgill and D.F. Forster, *The Mackenzie King Record*, vol. 3: *1945-1946* (Toronto: University of Toronto Press, 1970), p. 160.

52. CMAB, Board Minutes, 29 March 1946.

53. Pearson to Heenev, 27 November 1946, *Records*, file 11044-BS-40, vol. 1.

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embargo on China in August, 1946. And once again, Howe took up the cudgels against the External Affairs position to win the Cabinet committee's acceptance of the interdepartmental recommendation.⁵⁴

A flurry of memoranda reached the desk of Lester Pearson, by then the Undersecretary of State for External Affairs, from officers in Political III, the division responsible for Asian affairs. Escott Reid, in two separate memos, warned of the dangers of sending arms to China. A similar note was sounded by Arthur Menzies, head of the Far Eastern section of Political III.⁵⁵ Pearson responded by raising the matter with the Secretary of State for External Affairs, Louis St. Laurent,⁵⁶ who subsequently placed the issue on the agenda of the Cabinet committee for reconsideration.

On 3 April 1947, St. Laurent proposed that the government establish an embargo on the sale and delivery of arms to China. C.D. Howe did not want to let slip an opportunity to close a \$10 million deal on an ammunition manufacturing plant that had been ordered under Mutual Aid, but which was being held by War Assets Corporation. By one account,⁵⁷ a compromise was fashioned: Howe agreed not to object to an arms embargo if St. Laurent would authorize the sale and export of the ammunition manufacturing plant. The recommendations of the committee were approved by a full meeting of Cabinet on 16 April 1947.⁵⁸

No sooner had Ottawa established its embargo than the United States decided that, because the Nationalists were faring so poorly, the time had come to lift the American embargo on arms to China.⁵⁹ C.D. Howe reacted to the news from Washington with enthusiasm. He suggested to St. Laurent that the "War Assets Corporation be instructed that the door is open to the sale of guns, ammunition, fighter planes, armed frigates and other items of Canadian supply in which the Chinese have indicated an interest."⁶⁰ External Affairs, commenting on Howe's "open door" proposal, urged their minister to treat the American reversal with caution, noting that the British were maintaining their embargo. On 11 June 1947, Howe's bid to secure Cabinet approval for a reassessment of the embargo failed.⁶¹

Despite this setback, the Chinese in Ottawa continued to hold talks with officials in the Department of Reconstruction and Supply and, prompted by Howe, submitted an official application in August, 1947, to buy 174 Mosquito fighter-bombers, together with 20 mm cannon, .303 machine guns, bomb racks, bombs, ammunition and several airframes for cannibalization, all of which were being held by War Assets Corporation. The Chinese asked that the cost of the

54. Howe to Abbott, 10 March 1947; Pearson to St. Laurent, 20 March 1947, *Ibid.*

55. Reid to Pearson, 7 and 14 March 1947; Menzies to Reid and Pearson, undated, *Ibid.*

56. Pearson to St. Laurent, 20 March 1947, *Ibid.*

57. Despatch 125, Menzies to Ronning, 25 April 1947, *Ibid.*

58. *Ibid.*

59. Teletype WA-1647, Stone to External, Washington, 27 May 1947, *Ibid.*

60. Howe to St. Laurent, 2 June 1947, *Ibid.*

61. Moran to Pearson, 10 June 1947; note for file, 11 June 1947, *Ibid.*

aircraft—\$2.5 million—be applied to the military credit; in return, they offered to pay the \$3.5 million armament costs in American dollars.⁶²

When it reached External Affairs for consideration, the Chinese request received short shrift. Arthur Menzies, who had advised the Chinese in May not to bother applying to buy the aircraft, was asked to provide an assessment. "The shipment of Canadian arms to China," he wrote, "would only serve to strengthen the hands of the militarist clique . . . and thereby postpone much needed internal social and political reforms." Menzies' superior, Escott Reid, noted in the margin that the "benefit we will derive from 3 million US dollars not sufficient to offset political objections."⁶³ The arguments advanced by the External Affairs bureaucracy were, however, not sufficient to offset Howe's influence in Cabinet, where there was an eagerness for American dollars as a result of a foreign exchange shortage; on 25 August 1947, Cabinet approved the sale.⁶⁴

Cabinet never received its money. After approval had been given, the Chinese reneged, asking that the entire bill be applied to the military credit. Once again, they sought Howe's assistance and the Minister of Reconstruction and Supply, happy at the prospect of clearing the obsolete Mosquitos from War Assets Corporation warehouses, pressured St. Laurent into agreeing to the Chinese request.⁶⁵

The Mosquitos, arriving in China in early 1948, were the last major Canadian armaments to be shipped to the Nationalist regime. The sale of these aircraft brought to an end a policy of intervention by Canada in the Chinese civil war. For as American support for the Kuomintang increased in 1948 and as the Communist armies began their southward advance, the Canadian government adopted a more properly neutral stance, content to watch the transformation of China from the sidelines.

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From the 1943 genesis of Ottawa's military aid policies to the sale of the Mosquitos in 1947, the Canadian government had, by its actions, shown itself to be a supporter of the Kuomintang government. But it can be argued that there was little anti-communist content in this support and that the economic motivation was dominant in the evolution of policy.

62. An account of this is contained in a letter from Roy Peers, who was acting for the Chinese in Ottawa, to T.C. Davis, Odium's successor in Nanking. Peers to Davis, Montreal, 3 December 1947, *Ibid.*

63. Menzies to Moran, 22 August 1947, *Ibid.* Reid's comments appended.

64. Extract from Cabinet minutes, 25 August 1947, *Ibid.* For a discussion of the American dollar shortage, see Pickersgill and Forster, *Mackenzie King Record*, vol. 4, p. 83.

65. Liu Shih Shun to Canadian Commercial Corporation, 2 September 1947; Pearson to St. Laurent, 10 September 1947, *Records*, file 11044-BS-40, vol. 1. St. Laurent had originally noted on Pearson's memo that "We cannot authorize the charging of anything beyond the \$2.5 million to the credit account." By the end of the month, St. Laurent's resistance had dissipated: see extract from Cabinet minutes, 30 September 1947, *Ibid.*

CANADIAN RELATIONS WITH CHINA

The prospect of increased postwar trade catalyzed both the attempts to implement a wartime aid programme and credits for postwar aid. The prospect of American dollars flowing into an exchange-starved treasury from the sale of Mosquitos lured Cabinet from the position of non-interference to which it had agreed in April, 1947. In short, each of the decisions relating to the delivery of Canadian arms to China can be explained by the desire of Cabinet to achieve economic, not ideological, goals.

An anti-communist tone was notably absent in deliberations at the bureaucratic level: the various definitions of Canadian interests advanced by competing segments of the bureaucracy did not include the need for maintaining Chiang in power against the Communists. The exception to this was the Canadian ambassador in Chungking (and after the war in Nanking). Victor Odlum left little doubt in his despatches that it would be in Canada's best interests to extend aid to the Nationalists in order to hold off the Communists.⁶⁶ However, while Odlum's perceptions of China appear to have confirmed his prime minister's favourable images of Chiang and the Kuomintang,⁶⁷ they do not appear to have had any significant impact on the evolution of Canadian policy for two reasons. First, Odlum and the embassy were excluded almost entirely from the decision-making process; negotiations and decisions were carried on exclusively in North America. Invariably, the embassy was merely informed of a decision, often well after it had been taken.⁶⁸ Secondly, the longer Odlum remained in China, the greater was the gulf that separated his views of the situation in China from those perceptions of External Affairs officials in the East Block. Because of this growing divergence, the ambassador's views apparently carried little weight in External Affairs.

As important to an explanation of Canada's China policy during this period is the impact of bureaucratic politics—the disagreements within government that can help shape final policy outcomes.⁶⁹ There is little doubt that many of the

66. Kim Richard Nossal, "Chungking Prism: Cognitive Process and Intelligence Failure", *International Journal*, 32:2, (Summer, 1977).

67. Throughout the war against Japan, King had a very favourable image of the Kuomintang and Chiang Kai-shek; see, for example, Pickersgill, *Mackenzie King Record*, vol. 1, pp. 555, 684-5; also *King Papers, Diaries, 1943*, 2nd copy, vol. 114, p. 457. In the postwar period, King's view of China was dominated by his fear that "China will be completely controlled by Russia before long." Pickersgill and Forster, *Mackenzie King Record*, vol. 3, p. 163.

68. Chester Ronning (Odlum's first secretary at the embassy, 1945-47), interview, Camrose, Alta., 14 April 1975. For example, the embassy was never informed that Cabinet was allowing orders for Mutual Aid arms to go forward after the war. Having been merely informed that the government was approving no new orders, there was considerable consternation in Nanking at the arrival at the end of 1946 of two shiploads of Canadian arms, all of which had been ordered under Mutual Aid before the end of the war. Despatch 1179, Ronning to External, Nanking, 9 November 1946, *Records*, file 11044-BS-40, vol. 1.

69. The seminal work on the application of bureaucratic politics to foreign policy decision-making is Graham Allison, *Essence of Decision: Explaining the Cuban Missile Crisis* (Boston: Little Brown, 1971).

decisions relating to arms sales were the product of bureaucratic squabbles. For example, it might be surmised that had External Affairs alone been responsible for advising Cabinet on China policy, Canadian aid to the Kuomintang may well have ceased after the imbroglio over trucks in 1944. However, the eagerness of Howe's officials in the Mutual Aid Administration and the Department of Munitions and Supply (and after the war, Reconstruction and Supply) and the desires of Trade and Commerce to expand the China trade ensured that the policy preferences advanced by the External Affairs bureaucracy were considerably moderated at the Cabinet level.

C.D. Howe's role in Cabinet was most influential in shaping Canada's China policy. A kind of administrative imperative seemed to prevail, with Howe's eagerness to keep production running economically and to clear the War Assets warehouses in a business-like fashion blinding him to the political implications of his decisions. As James Eayrs has noted, "His instincts were entrepreneurial, his impulses managerial."⁷⁰ His decisions on China provided no better example.

On balance, Canada's China policy during the 1940's can be viewed as an outcome of bureaucratic politics: a series of differences of opinion at the bureaucratic level between External Affairs, on the one hand, putting forward the diplomatic and political arguments and, on the other, the Mutual Aid Administration, Trade and Commerce, and Munitions (Reconstruction) and Supply putting forth the economic arguments. The military aid policy could be explained by the failure of External Affairs to convince their confreres at the bureaucratic level, and the failure of St. Laurent to do the same at the ministerial level, that the adverse political implications of sending arms to a government in a civil war situation outweighed economic or administrative gains.

In the historical filter, one might too easily construe Canada's policy of military support for the Kuomintang as a product of Cold War anti-communism or argue that it was this policy which created in Canadian decision-makers the kind of Hamletian indecision of which John Holmes has written⁷¹ when the Communists did come to power in 1949.

Yet the process of each decision suggests that it was a desire to increase trade with China rather than a desire to maintain Chiang in power that motivated Cabinet. In the Mosquito decisions, it was not the contribution to the Chinese civil war effort that was in question, but the contribution to a depleted Canadian treasury. And pervading all decisions was the relentless energy of C.D. Howe,

70. Eayrs, *In Defence of Canada*, vol. 3, p. 9. Walter Gordon has said that Howe rarely gave any thought to the long-term political consequences of his decisions: television interview, Canadian Broadcasting Corporation, "The Days Before Yesterday: Struggle for Nationhood", pt. 6, "King of Canada", 30 May 1976. For a less stereotypical view, see Robert Bothwell, "Minister of Everything", *International Journal*, 31:4, (Autumn, 1976).

71. John Holmes, *Canada: A Middle-Aged Power* (Toronto: McClelland and Stewart, 1976), p. 169.

whose "sole aim was economic growth, to be achieved by any and every means possible."⁷²

The arguments of prescient junior officials in the Department of External Affairs that Chiang was not going to survive, and the arguments of their superiors that interference in a civil war was not in Canada's best interests, tended to be lost in the clamour of others at both the bureaucratic and ministerial levels for business as usual.

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72. Donald Creighton, *The Forked Road: Canada, 1939-1957* (Toronto: McClelland and Stewart, 1976), p. 222. Cf. the remarks of a CCF member of Parliament: "when [Howe] was explaining the shipment of Canadian arms to China, he did not base his arguments on moral grounds. His answer . . . indicated that it was a straight business proposition." House of Commons, *Debates*, 1948, vol. 4, p. 3558.

Résumé

Cet article retrace l'évolution de la politique canadienne vis-à-vis de la Chine nationaliste durant les années précédant 1949 en analysant l'élément principal de cette politique, soit, celui de la fourniture d'armes pendant et après la guerre contre le Japon. L'auteur examine d'abord brièvement les débuts de la mission canadienne à Chungking, puis, le programme canadien d'aide mutuelle établi pendant la guerre, et enfin, les dédales de la politique régissant la vente d'armes après la guerre.

Il appert donc que l'établissement d'une véritable représentation diplomatique en Chine ait été assez fortuite puisqu'elle a suivi les demandes faites à cet effet pour le Japon. Nonobstant, de 1943 à 1947, le gouvernement canadien s'est montré un fidèle supporteur du gouvernement de la Chine nationaliste, motivé qu'il était par les avantages économiques qu'il escomptait en retirer éventuellement. Et ce sont d'ailleurs ces mêmes motivations économiques qui ont été à la base des diverses ventes d'armes consenties après la guerre.

Au fait, bien qu'il puisse sembler que le support militaire apporté par le Canada à la Chine nationaliste ait pu résulter d'un certain anti-communisme, il n'en est pas ainsi. C'est avant tout, de dire l'auteur, le désir de faire progresser l'économie canadienne qui a présidé à toutes les décisions concernant l'aide à la Chine pendant les années quarante.