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*Note du secrétaire d'État aux Affaires extérieures  
pour le premier ministre*

*Memorandum from Secretary of State for External Affairs  
to Prime Minister*

SECRET

[Ottawa], February 23, 1961

OIL BUNKERS FOR VESSELS CARRYING CANADIAN GRAIN TO CHINA

President Kennedy's proposal to you, as set out in Mr. Heeney's notes of the conversation,<sup>61</sup> was that "Canadian authorities might make a request to the supplier at Vancouver to fill the order for bunkers on the understanding that United States authorities would not invoke United States law against United States parent companies of that supplier or against officers and directors of the company who were United States nationals." United States officials have now expanded on this suggestion with a rather complicated proposal on procedures set out in the attached telegram from Washington of February 22. This procedure would involve, in addition to the basic step suggested by President Kennedy, a notification to the United States Government by the Canadian Embassy in Washington which would include details of names and loading dates of the ships involved, applications by the United States parent companies for exemptions from FAC regulations, an approach by the United States Consulate in Vancouver to the oil companies concerned and a check by the Consulate of the cargo manifest to ensure that the ship is carrying only wheat or other Canadian-origin cargo.

2. The United States authorities are clearly endeavouring to find a procedure acceptable under their law to solve the problem and it is the impression of our Embassy in Washington that these procedural suggestions are not the final word, but might be substantially modified. Nevertheless, the procedures suggested are different from those considered necessary in other cases since the agreement reached during the visit to Ottawa of President Eisenhower and Secretary of State Dulles in July, 1958.<sup>62</sup>

3. The position agreed and publicly announced at that time was in the following terms:

"The Canadian and United States Governments have given consideration to situations where the export policies and laws of the two countries may not be in complete harmony. It has been agreed that in these cases there will be full consultation between the two governments with a view to finding through appropriate procedures satisfactory solutions to concrete problems as they arise."

4. In particular cases which have come up since then, our attitude has been that if the export was permissible under Canadian regulations, it was the responsibility of the parent company in the United States to clear itself with Foreign Assets Control. This normally takes the form of an exemption granted to the parent company by FAC. The Canadian Government through the Embassy in Washington has on a number of occasions made representations to the United States authorities supporting the granting of such exemptions. It will be noted that this action relates only to the United States parent company and its position under United States law. The Canadian Government has not given assurances to the Canadian subsidiary regarding the exemption of its parent from United States Foreign Assets Control regulations, nor have we been aware of any contact between the Canadian branch company and United States Government agencies on the subject of clearance for a particular shipment. On the Canadian

<sup>61</sup> Voir les documents 319 et 320./See documents 319 and 320.

<sup>62</sup> Voir/See Volume 25, document 5.