

2. When the Prime Minister raised this matter<sup>58</sup> and said that any attempt by FAC to become involved in this would lead to a very serious outcry in Canada, the President made two suggestions. He asked first whether there were any Canadian companies which might be a substitute source of supply for the cargo ships carrying wheat to China. He also said that if the Canadian Government was to formally ask for an exemption, this would probably be granted. Mr. Diefenbaker reportedly rejected both of these solutions. The President then suggested that if the Canadian Government were to tell Imperial Oil that they considered this a normal commercial transaction in which there would be no involvement of the FAC, Imperial would then presumably report this to Standard, and there was an inference that the FAC would be prepared then to grant an exemption or turn a blind eye to the operation. The Prime Minister said that he would like to have a more concrete expression of this proposal before committing himself. We understand that the Embassy in Washington are following this up with the White House and that some proposal to this effect may be put forward.

3. For the moment we have suggested to the Department of Trade and Commerce that they tell Imperial Oil that their problem is being studied by officials here and that they should not give up hope of securing this business. No indication, of course, will be given to Imperial Oil that this matter was discussed on Monday between the President and the Prime Minister.

4. We have been told that up-to-date no problems have been brought to the attention of the Wheat Board about the movement of grain to China. Some barley is already moving out of Prince Rupert, although there has been no movement yet of wheat.<sup>59</sup>

5. The general problem of FAC control has come up on an earlier and broader basis in connection with the sale commercially of flour to China. Mr. McIvor has reported that Robin Hood has been frustrated in its attempts to sell flour (which they maintain they could do in the present circumstances) by FAC actions.

6. The Prime Minister has asked that this matter should be treated with the utmost confidence and that extreme care should be taken to avoid any information about the present consultations being made public.<sup>60</sup>

O.G. STONER

<sup>58</sup> Imperial Oil et d'autres filiales canadiennes de sociétés américaines ont demandé si le mazoutage des navires transportant le blé canadien vers la Chine violait le Foreign Assets Control regulations (règlement sur le contrôle des avoirs étrangers).

Imperial Oil and other Canadian subsidiaries of American companies had inquired whether bunkering the vessels carrying Canadian wheat to China would violate the Foreign Assets Control regulations.

<sup>59</sup> Note marginale :/Marginal note:

McIvor told me that his Co[mpany] was planning to raise the general question in Washington next month. [N.A. Robertson]

<sup>60</sup> Note marginale :/Marginal note:

Noted. N.A. R[obertson]