

986.

1096-B-39

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 223

Ottawa, December 5, 1940

MOST IMMEDIATE. SECRET. Your telegram No. 169, November 30th, and No. 170, December 4th, wheat for Spain.

1. A proposal to furnish wheat to Spain on terms approaching a gift raises obvious difficulties. In many quarters objection will be taken on the general ground that it involves a return to the policy of appeasement and on the special ground that pro-Axis connections of the Spanish Government make success improbable; also sending food to Spain and withholding it from unoccupied France or occupied Allied countries will be challenged. In view, however, of the advice from your diplomatic and military advisers, emphasizing the necessity of keeping Spain neutral and the possibility of effecting this by furnishing wheat forthwith, we realize that the Government of the United Kingdom may well conclude it has no alternative but to take the risks and promise an immediate supply.

2. It is clear Canada is the only likely source of an immediate supply. The United Kingdom does not desire to deplete the home stocks, Australia is too far, Argentina will not likely sell on credit, and the United States considers public opinion would not approve without guarantees.

3. It does not follow that the Canadian Government should intervene in the transaction. Aside from the fact that we are not in the close diplomatic touch required for negotiations, we would be reluctant to furnish wheat to Spain on a basis which would be represented as a gift when we have not done so for other countries in distress or for the United Kingdom. We might be placed in a difficult position as regards unoccupied France if wheat were given to Spain but would not be sold to France. If it were necessary we would be prepared to examine the possibilities of participating in the transaction. That necessity, however, does not seem established. We appreciate impracticability of making shipments to Spain from wheat in stocks in United Kingdom or of diverting cargoes en route from Canada. Your Government however has control of approximately one hundred million bushels of wheat in Canada, a considerable part of which is in storage at Atlantic seaboard points which could be readily replaced. Presumably only objection to your releasing the 100,000 tons required for Spain might be reluctance to use dollar credits against Spanish sterling guarantees. If it is considered that such an arrangement would deplete unduly the United Kingdom supply of Canadian dollars, we would be prepared to take this into account in connection with some other transaction between our Governments not related to assistance to Spain.