

We feel that if we are prepared to fight, America will not in fact desert us. Bold course might change the whole outlook.

Naturally in all this we are assuming that whatever we do will be done in the closest consultation and agreement with the Netherlands East Indies. Subject to the above, our view can be summed up as being that if Thailand is abandoned and we delay our action, we will be one country nearer to war, and that in war and in particular in defence of Singapore, Japan will be relatively stronger and we relatively weaker than at present.

We express these views frankly and with the realization of their implications so that you may see the supreme importance which we attach to them. [Ends.]

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*Mémorandum du sous-secrétaire d'État adjoint aux Affaires extérieures
au sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

[Ottawa,] August 12, 1941

TRADE WITH JAPAN

Mr. Kanaya, Attaché at the Japanese Legation, called on me this morning and left the attached memorandum regarding trade with Japan. The proposal made by Tokyo is briefly this:

- (1) That the Canadian Government should agree to allow the export to Japan of all goods on firm order before July 26, 1941;
- (2) That the Canadian Government should allow payment to be made for the exports mentioned above from Japanese assets frozen in Canada.

Mr. Kanaya stated that an agreement of this sort had been reached with New Zealand and, he understood, with Burma. He also stated that the Japanese had a credit balance of some 11,000,000 [yen] in Australia; that India had a credit of the same amount in Japan; and that arrangements were being made in London to use the one to offset the other.

I told Mr. Kanaya that the proposal made in his memorandum would be submitted to the Government and that he would be informed in due course as to our decision.

H. L. K[EENLEYSIDE]