

ship's stores. We should also let them know, at least in respect of individual applications, that permission will be given for the export from Canada of goods for which export permits had already been granted. If, on the heels of the proclamation of the freezing order and the notice of termination of the Commercial Treaty, Japanese ships resume their loading of wheat at Vancouver in precisely the same manner as before, I am afraid that a puzzled public opinion will feel that it has in some way been let down by the Government.

I would suggest, therefore, that before replying to the Japanese Minister's enquiries either about ships or wheat, we should endeavour to make sure that London and Washington appreciate the implications of the policy they apparently propose to pursue.

N. A. R[OBERTSON]

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*Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis*  
*Secretary of State for External Affairs to Minister in United States*

TELEGRAM 294

Ottawa, July 31, 1941

SECRET. 1. As we understand present United States policy its immediate effect is to disrupt United States-Japanese Trade, but it is intended, in the long run, to enable trade to be resumed under a licensing system which will:

- (a) enable the United States to obtain essential imports from Japan against an equivalent value of exports needed by Japan; and
- (b) enable the United States to confine exports to non-strategic commodities.

If our understanding is correct and if this procedure is followed it would seem that United States-Japanese trade will be on a controlled barter basis.

2. The bulk of Canadian exports to Japan in recent months has consisted of wheat and low-grade asbestos and we have imported practically no essential commodities. No permits are now being granted for the export of asbestos. Consequently circumstances are such that we could only continue trade with Japan under a policy similar to that assumed in 1 (a) above by bartering wheat against non-essential imports (which would not seem to be completely in line with this policy) or alternatively to sell wheat against payment in United States dollars which now lie to the credit of Japanese banks in Canadian banks to cover commercial letters of credit. This alternative is offered to us in connection with the loading of two Japanese vessels, the *Heian Maru* and the *Kozui Maru*, in respect of which we have already given guarantees against interference if they enter the port of Vancouver. Export permits for their proposed cargoes (2500 and 4500 tons respectively) of wheat were