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*Mémoire du sous-secrétaire d'État aux Affaires extérieures
au Premier ministre*

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

[Ottawa,] July 30, 1941

WHEAT FOR JAPAN

The Japanese Legation are enquiring whether Japanese vessels will be interfered with if they enter Canadian ports. The *Heian Maru*, presently in Seattle, and the *Kozui Maru*, now somewhere off the Pacific coast, are waiting to learn whether they will be permitted to embark cargoes of wheat for which export permits have already been granted. The *Heian Maru* proposes to load 2500 tons of wheat and the *Kozui Maru* 4500 tons.

The United States authorities are reported to have given the Japanese Embassy in Washington an assurance that Japanese ships entering United States ports will be allowed to depart freely. This assurance must also mean that the necessary funds will be released to them for the purchase of ship's stores and fuel.

The United States have not given the Japanese any indication of what their policy will be with regard to permitting exports to Japan, but have informed us confidentially that they propose to issue licences under the freezing order permitting normal exports to Japan. They do not appear to plan to use the freezing order to restrict exports to Japan, but on the other hand, they apparently propose using the freezing order to limit imports from Japan pretty drastically. Such a policy does not seem to me to make sense, unless they think they can count on at least six months maintenance of the *status quo*, at the end of which period restriction of Japanese imports might be expected to result in a stoppage of exports to Japan as a result of curtailment of purchasing power. In the short run, however, the United States policy of granting release of Japanese funds to finance exports from the United States to Japan will have the effect of facilitating the export of Japanese capital from the United States and may even accelerate Japanese procurement of needed United States supplies. The Japanese themselves have no inkling of what the United States plan to do and are naturally very perturbed at the possible implications of the freezing order. When they find out that they can get pretty much what they want from the United States without being obliged to pay for it by providing goods that the United States may need, they may well feel that the freezing order has been another bluff.

If we are to parallel American policy, as now indicated, we should advise the Japanese Minister that Japanese ships can freely enter Canadian ports and that they will be permitted to depart therefrom with the necessary fuel and