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*Le sous-ministre du Commerce au sous-secrétaire d'État
aux Affaires extérieures*

*Deputy Minister of Trade and Commerce to Under-Secretary of State
for External Affairs*

No. 12994

Ottawa, August 8, 1941

SECRET

Dear Mr. Robertson,

I have received your letter of August 7,¹ enclosing copy of the memorandum which was left with you by the Japanese Minister on August 5,² under instructions which he had received from his Government.

The questions raised by the Japanese Minister confront us with a most difficult question of policy, which is outside the scope of Trade and Commerce. When the "freezing" Order was announced the public were led to assume that this would bring trade between Japan and the countries imposing the "freezing" Order to a standstill. Since then the United States have proceeded to put into effect a policy which amounts to something in the nature of the barter of goods between the United States and Japan. It is certain that any limited barter arrangement between Canada and Japan, as proposed by the Japanese Minister, would not be favourably regarded by the Canadian public. If we leave out of account Japanese silk, which is normally imported into Canada from the United States, there are practically no goods which we import from Japan which come within the classification of "essential" imports. Our exports to Japan and Japanese-controlled China—other than Shanghai, which we do not regard as being under Japanese control—are now confined almost exclusively to wheat and hemlock logs. The Canadian public have assumed that no further permits will be granted for the export of wheat and hemlock logs to Japan after the quantities which were on firm order when the export permit requirement was introduced have been shipped.

The question arises, therefore, as to whether or not we should allow the remaining quantities of such wheat and hemlock logs to be exported and this, in turn, involves not only the granting of export permits for these quantities, but also giving an assurance that no obstacles will be placed by Canada in the way of funds being provided to pay for these goods. However, since the funds are often arranged through banks in the United States, the concurrence of the United States Government would also appear to be necessary—although probably the Japanese could find means of establishing direct credits in Canada to pay for these goods. Having regard solely to the situation in Canada it

¹ Non reproduite.

² La pièce jointe au document 1332.

¹ Not printed.

² Document 1332, Enclosure.