

side of the line, therefore, such transactions have been regarded as normal commercial transactions. Any difficulties existed only on the United States side of the border between the United States Government and the United States parent; the problem was one to be cleared up entirely in the United States, with the Canadian Embassy in Washington normally making official representations to the United States Government supporting the granting of the exemption to the United States parent company.

5. I assume that you would wish these basic distinctions maintained and that, accordingly, we should not get involved in any procedures requiring the Canadian Government to assure Canadian companies that they may carry on a transaction which is perfectly normal and legitimate under Canadian law, or agree to a procedure requiring contact between the Canadian company and United States authorities.⁶³

6. I would therefore suggest that we tell the United States Government that it is their responsibility to assure the United States parent companies concerned, whether by formal exemption or otherwise, that FAC penalties will not be invoked against them if their Canadian subsidiaries sell oil bunkers to vessels carrying Canadian grain or other goods which may be exported to China under Canadian export regulations. As in earlier cases, the Embassy could make formal representations to the United States Government supporting the granting of such exemptions to the United States parent companies. In answer to any enquiry received by the Canadian Government from a Canadian company involved, we would say that this is a normal commercial transaction fully in accord with Canadian law and policy, and that we would expect them to act accordingly.⁶⁴

7. Mr. Heeney is seeing senior United States officials Friday afternoon on this problem. I would propose that he be instructed, if you agree, to work towards a solution which would:

- (a) Permit bunkering to take place immediately on a normal commercial basis;
- (b) Keep to a minimum any involvement of the Canadian Government; and
- (c) Avoid any policing measures by United States authorities in Canada or any direction to firms located in Canada from the United States Government.⁶⁵

8. He would not, of course, say anything which would affect the position which you took with the President, and any proposed solutions would have to be referred to Ottawa for approval. The basic position would be that the United States Government itself must remove any impediment to the transactions, since the difficulty is solely between the United States Government and the United States parent companies.

H.C. G[REEN]

⁶³ Note marginale :/Marginal note:
Yes. [J.G. Diefenbaker]

⁶⁴ Note marginale :/Marginal note:
Follow 6 *but* these [the formal representations] should be *informative* rather than *requests*. Otherwise we would be taking a step back from the position agreed & announced under Pres. Eisenhower. H. G[reen] 24/2

⁶⁵ Note marginale :/Marginal note:
Also approved by SSEA, with special emphasis on (c) e.g. 3(e) & (f) of Washington tel. 547 are unacceptable. R. C[ampbell] 24/2