

Minutes of the

War Committee of the Cabinet

July 15th, 1941.

Ottawa, July 15th, 1941.

CABINET WAR COMMITTEE

A meeting of the War Committee of the Cabinet was held in the Privy Council Chamber on Tuesday, July the 15th, at 3.00 p.m.

There were present the following members:

The Prime Minister,
The Minister of National Defence (Mr. Ralston),
The Minister of Finance (Mr. Ilsley),
The Minister of Munitions and Supply (Mr. Howe),
The Minister of National Defence for Naval Services (Mr. Macdonald).

The Under-Secretary of State for External Affairs (Mr. Robertson),
The Secretary (Mr. Heeney).

Relations with Japan

1. The Prime Minister read extracts from recent communications from the U.K. government indicating that early action by Japan against Indo-China might be anticipated. In preparation for such a move, plans for the control of shipping in the Pacific, and the co-ordination of appropriate economic measures, were being formulated in collaboration with the U.S. government.

It was suggested that the Dominion governments concur in early denunciation of the Anglo-Japanese Commercial Treaty.

(See telegrams Nos. 115, D. 422, M. 156-7 of July 14, and 15, 1941, from the Secretary of State for Dominion Affairs to the Secretary of State for External Affairs, Canada.)

2. Mr. King also referred to recent conversations regarding Japan between the Under-Secretary of State for External Affairs and the U.S. Minister. The United States agreed that there was evidence of early action on the part of Japan, and that this would be directed into French Indo-China rather

3. Mr. King stated that from personal observation, during his recent visit, he was satisfied that there was now no serious anti-Japanese agitation going on in British Columbia.

When at the Pacific Coast, he had taken occasion to explain the reasons which had led the government to adopt their present policy with regard to exports, and he had found no disposition to criticize the government on this score. Altogether, the local situation in this respect was satisfactory.

4. The Under-Secretary of State for External Affairs referred to the U.K. government's renewed suggestion that the Dominions concur in the denunciation of the Anglo-Japanese Commercial Treaty. When this move had been proposed previously, Canada had demurred on the ground that such action would be disproportionate to the extent of Japanese aggression. The U.K. government, however, considered denunciation of importance, and, since no formal action on the part of Canada was involved, there would appear to be no objection to concurrence. It was not proposed that denunciation should take the form of reprisal to Japanese action.

5. After further discussion, it was agreed that a communication be sent to the U.K. government, stating that Canada would make no objection to the United Kingdom giving notice of termination of the Treaty at such time as they felt opportune.

(See telegram No.124 from the Secretary of State for External Affairs to the Dominions Office.)

Canadian sterling balances

6. The Minister of Finance stated that the Economic Advisory Committee had now reported in favour of the proposals which had been referred to them by the Committee on June the 20th, for the utilization of accumulated sterling balances.

The Economic Advisory Committee had expressed the view that the use of something like the sterling equivalent of \$200 million to pay for the full initial and maintenance cost of twenty-five air squadrons, to be manned by Canadians and operated and identified