

No. 12.

BRITISH EMBASSY,

WASHINGTON, D.C.

January 4th, 1940.

My Lord,

299/130/39

I have the honour, with reference to my despatch No. 1255 of November 11th last regarding the Neutrality Act, to transmit to Your Lordship herewith a copy of a telegram received on December 13th by the Collector of Customs in New York from the Commissioner of Customs.

2. It will be seen from this telegram that the Department of Justice in Washington has ruled that the title to any goods transported to Canada from this country whether by land or by inland water transport must first be transferred to foreign ownership if the ultimate destination of such goods is a belligerent state outside the areas enumerated in section 2 (g) of the Act. This ruling would seem to conflict with the terms of section 2 (f) of the Act which specifically provide that the provisions of section 2 (c) - the transfer of title provisions - should not apply to any goods, other than arms, ammunition and implements of war, transported from the United States to Canada and Mexico by land, by air or by American vessels on the Great Lakes and frontier rivers. In issuing this ruling the United States authorities would appear to be in a way reverting to the principle enunciated/

The Right Honourable

The Viscount Halifax, K.G.,

etc., etc., etc.

FRHM:CL:KIP

enunciated in section 2 (a) of the old Neutrality Act wherein it was provided that the cash and carry provisions should apply to those articles specifically enumerated in the President's Proclamation which were exported not only direct to a belligerent state but indirectly through any neutral state.

3. The effect of the ruling will be to prevent goods being exported over land or by the Great Lakes from this country to Canada for subsequent re-shipment to the United Kingdom without title having previously been transferred. It will be seen however that the Customs authorities are not required to insist on evidence as to the ultimate destination of the goods being furnished unless they have reason to believe from the shipping documents or otherwise that this destination is a belligerent state outside the permitted area. Furthermore the Department of Justice's ruling does not affect the transport of goods to Canada by sea nor apply the transfer of title provision to articles other than war material carried in American or neutral vessels to ports on the West Coast of Canada or on the East Coast west of latitude 66°.

4. I am sending a copy of this despatch to the High Commissioner at Ottawa.

I have the honour to be,

with the highest respect,

My Lord,

Your Lordship's most obedient,

humble servant,

(Sgd.)

LOTHIAN.