

similar. So far as the United Kingdom is concerned, we expect to take nothing from Japan except one or two small items e.g., magnesium which we require for war purposes. We have also, however, to consider position of the Colonies, and in this connection it would greatly assist us if we could be given earliest possible indication for our guidance as to nature and estimate of volume of imports from Japan which the Dominion Governments would for their part regard as likely to be of essential importance to them. Our general view is that we shall best keep in line with the United States by adopting narrowest possible interpretation of essentiality.

7. We do not propose to make any public announcement as to detailed manner in which our measures will be applied, since we feel it would be preferable to leave Japanese to find out for themselves from painful experience. Ends.

1337.

Skelton Papers, PAC

*Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures*

*Dominions Secretary to Secretary of State for External Affairs*

TELEGRAM CIRCULAR M.224

London, August 8, 1941

IMMEDIATE. MOST SECRET. My immediately preceding telegram Circular M.223. Following for your Prime Minister. Begins. Freezing of Japanese Assets.

Following is summary of detailed arrangements proposed. Begins.

1. Accounts and assets existing at present date and future payments into such accounts will remain blocked. Licences have been given to meet pre zero mandates of payments and will be given to meet approved pre zero commitments, e.g. to pay to residents in sterling area for goods already despatched, to pay service of sterling loans and to cover normal salaries, rent, *et cetera* of branches in sterling area of Japanese concerns and maintenance of Japanese residents in the area.

2. Where imports from Japan into the United Kingdom or Colonies are regarded as of essential importance, and Japan is willing to supply on a quasi-barter basis, payments for such imports will be made to a new clearing account of Yokohama Specie Bank with the Bank of England. Sums standing to the credit of this clearing account will be available for Japan to pay for exports from the United Kingdom or Colonies which we may agree to licence in order to obtain essential imports corresponding in value.

3. We suggest each Dominion, India and Burma should open a similar clearing account. Later on it may be found desirable that a surplus on one or more of these clearing accounts should be used to balance a deficit on the others. We propose in reply to enquiries to inform Yokohama Specie Bank in