

Order will state that Chinese funds are being frozen at the request of Generalissimo as part of United States aid to China. Public announcement may not be made until order is issued, and in any event not before Friday evening. I will notify time of announcement tomorrow.

No new direct restrictions on exports to Japan will be imposed, and no direct restrictions on imports. Freezing order in fact will permit control over all trading transactions with Japan. Present intention is to allow oil shipments to proceed in normal volume, but to make no announcement to this effect and keep Japanese guessing. Freezing order is likely to reduce trade in other commodities to very small volume.

Under freezing order no general licences will be issued to Japanese banks or interests. Regulations governing Chinese funds are being worked out in consultation with Keynes<sup>1</sup> and Phillips.<sup>2</sup>

1317.

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.185

London, July 25, 1941

MOST IMMEDIATE. MOST SECRET. My telegram Circular M.181.<sup>3</sup> Following for your Prime Minister. Begins.

1. Our understanding is that announcement will be made by the United States Government this evening of application of freezing order, with effect from opening of business tomorrow (Saturday) morning. We understand further that intention of the United States Government to retaliate with specific action tomorrow against Japan's occupation of bases in Indo-China was discussed with press today by President Roosevelt.

2. Way is thus clear for us to act on similar lines, and in view of general concurrence received from the Dominion Governments in policy contemplated, we are arranging for freezing machinery to be set in motion forthwith. Appropriate treasury directions are accordingly being issued to banks in the United Kingdom for application as from tomorrow. Text is contained in my telegram Circular G.2, which follows at once.<sup>3</sup> Text of directions will not be issued to the press (though public will doubtless (word corrupt) their receipt by banks), but following statement is being given to the press for publication tomorrow morning.

<sup>1</sup> John Maynard Keynes, conseiller économique au Trésor britannique, 1940-1946.

<sup>2</sup> Sir Frederick Phillips, représentant spécial du Trésor britannique aux États-Unis, 1940-1943.

<sup>3</sup> Non reproduit.

<sup>1</sup> John Maynard Keynes, Economic Adviser, British Treasury, 1940-46.

<sup>2</sup> Sir Frederick Phillips, Special Representative of the British Treasury in the United States, 1940-43.

<sup>3</sup> Not printed.