

3. Specific Japanese proposal to exchange permission to export tea for permission to export wheat would appear open to objection on the following grounds:

- (a) Total value of wheat involved is approximately 12 times the value of the tea;
- (b) Tea could hardly be regarded as essential import unless conceivably receipt of this particular shipment would obviate necessity of rationing—on this point you might consult Wartime Prices and Trade Board;
- (c) Proposal for payment for wheat in sterling or Canadian dollars would be unacceptable;
- (d) Tea has presumably already been paid for by Canadian importer so that Japanese contribution to proposed barter transaction would be opportunity of earning outward freight on a vessel they would be ready to send empty to fetch wheat.

4. Have you examined Canadian silk supply situation to ascertain whether we are likely to need additional supplies for essential purposes? Conceivably, silk, if needed, could be secured on barter basis against wheat deliveries. Ends.

1348.

804-35

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM CIRCULAR M.268

London, August 27, 1941

MOST SECRET AND PERSONAL. [Begins.]

1. We have received from the United States Government information as to communications made by them on August 17th i.e. since the President's return from his meeting with the Prime Minister, to Japanese Ambassador in regard to situation in the Pacific. United States Government have particularly requested that these communications should be regarded as especially secret.

2. First communication refers briefly to Japanese action in Indo-China and attitude of United States Government thereto, and closes with a warning in the following terms:

This Government now finds it necessary to say to the Government of Japan that if the Japanese Government takes any steps in pursuance of a policy or programme of military domination by force or threat of force of neighbouring countries, the Government of the United States will be compelled to take any