

present regulations impose no special restrictions on transfer of funds from Japanese residents of Canada to other Japanese nationals resident either here or in third countries, which do not equally apply to transfer by the nationals of those countries. Such transfers have, however, not, in fact, taken place and we are of the opinion that in present circumstances effective control can be maintained on an *ad hoc* basis by refusing to authorize particular transfers to Japanese nationals resident in third countries where it appears that the national interest of Japan is benefited.

10. So far as Japanese residents in Canada are concerned their assets are subject to no special restrictions. General restriction, however, on transfers to residents of Japan appears to prevent possibility of these assets being used to benefit Japan. It seems, therefore, to us that the hardship and disorganization to domestic business caused by blocking accounts of all Japanese residents in Canada would outweigh any dangers involved in present situation. We do not, therefore, pending further developments, intend to change basis of our regulations from residence as at present to nationality. Consideration is being given, however, to the prohibition of transfers between the Canadian accounts of residents of Japan.

11. In view of our more liberal regulations, we do not consider that proposals for reciprocal arrangements outlined in your telegram No. 496¹ of August 5th apply to Canada. On the other hand we have proposed to the Japanese Government that unless Japan can alter her regulations so that Canadian residents in Japan are in a comparable position to Japanese residents in Canada, we may have to consider abandoning the more liberal policy which we have hitherto pursued in this matter.

1362.

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.310

London, September 20, 1941

MOST SECRET. Following for your Prime Minister. Begins. My telegram of September 12th, Circular M.302.¹ Far East.

1. His Majesty's Ambassador at Tokyo recently reported interesting conversation with Mr. Shigemitsu.² Main points made by latter were as follows:

¹ Non reproduit.

² Ambassadeur du Japon en Grande-Bretagne, 1938-1941.

¹ Not printed.

² Japanese Ambassador in Great Britain 1938-41.