

With regard to petroleum products, the effect of their action is that indicated in paragraph 1(b) of my Telegram No. 324. There is an overriding absolute prohibition of the export to Japan of the higher qualities of crudes, gasolines, and lubricants. The specifications have been drawn to embargo the export of all Californian crudes unless these are specially treated before export to exclude the lighter fractions. All blending agents, including tetra-ethyl lead, are already embargoed. The embargo applies to categories No. A, B, E, F, I, J, O, and P shown in the attached Export Control Schedule.¹ Licences for categories not embargoed will be issued on the basis of certain pre-war figures relating to exports to Japan in 1935 and 1936. The effect of these restrictions in terms of current trade is that given in my Telegram No. 324.

In order to make the new restrictions on petroleum products effective, it was necessary to cancel all outstanding export licences for petroleum products to countries other than those in the Western Hemisphere, the British Empire, and other territories resisting aggression. This cancellation was announced by the State Department late on August 1st and it revoked licences for Japan covering an enormous volume of petroleum products.

As I have told you, both Mr. Acheson and Mr. Noel Hall consider that from the points of view of their respective Governments there would be no objection to our permitting the export of wheat to Japan to continue within the limits which we have established. Apart from the possible use of the freezing order, Japanese would be able to buy wheat in the United States, as wheat is not subject to export control. They have not considered restricting the export of foodstuffs because the Japanese have been buying no foodstuffs in this country. The position with regard to cotton is the closest analogy here.

With regard to imports, the situation is that the freezing order will be applied to the proceeds of sales of silk and gold in the United States. If the Japanese are prepared to exchange these commodities for frozen dollars, they will be allowed to do so. Applications to release dollars for other imports from Japan will be considered if the imports are required in the United States and if the proceeds are earmarked to pay for the limited volume of exports which is now permitted.

I telegraphed *en clair* on August 2nd about the question of the unloading of Japanese ships, and my telegram followed the terms of a public announcement. It is perhaps not strictly accurate to say that Treasury licences will be required before cargoes will be released from Customs. So long as the proceeds remain frozen, the goods could presumably be moved from Customs without a Treasury licence.

Mr. Acheson mentioned to me on Sunday evening that they intended to go further than they have already done. In the export field, this could only mean more drastic restrictions on cotton and petroleum products.

Yours sincerely,

H. H. WRONG

¹ Non reproduit.

¹ Not printed.