

at the time and if accepted by the two Governments we feel sure that machinery, financial and otherwise, for bringing into effect the particular exchange can be arranged.

4. We propose to leave initiative in regard to any such proposals for barter to the Japanese but feel it unlikely that even if made they will be acceptable.

5. For purposes of comparison, our exports to Japan for the months of July and August 1940 amounted to \$746,000.00 and \$771,000.00 respectively. For the same months in 1941 the total was \$147,000.00 and \$19,700.00 respectively. Of the total for July 1941 \$141,000.00 represents asbestos exports. Even before the Freezing Order came into effect we requested the asbestos industry to submit no further applications for permits to export this commodity to Japan. This request was observed and no permits have been issued since July 2nd.

6. In your Circular M.259¹ question of outstanding export permits was raised. There are only two of these of any significance, one for 4,500 and another for 2,500 tons of wheat. These permits will expire shortly and will not be renewed. We have rejected Japanese proposal that these and certain other wheat shipments be allowed to go forward in return for the release of a cargo of tea now being held at Kobe in transit.

7. So far as trade with occupied China is concerned, we have replied to telegrams W.13 and W.14 forwarded by your High Commissioner to effect that every care will be taken along lines outlined by you to ensure that any exports to China will not benefit Japan.² It is felt that in view of present United States policy there is no great danger of Japan benefiting from any United States exchange we might place at the disposal of occupied China through our imports from those areas. Therefore, while export control should be strict we feel no special steps are required to restrict imports from occupied China, including Shanghai. Insofar as exports to this latter destination are concerned we are taking special precautions in the issue of permits. On this question our policy is similar to that being followed by Washington. All applications for permits to export to Shanghai are considered carefully on both a commodity and consignee basis and are referred to our Trade Commissioner and the Embassy. Latterly the United States Consular Officers in Shanghai are being consulted as well.

Part II. 8. Objective of our financial control which seems to be working satisfactorily is to prohibit transactions which would clearly benefit Japan, facilitate those benefiting free China and limit those with occupied China to such as will not benefit Japan.

9. Your Circular M.224 of August 8th³ mentions possibility of our regulations being extended to cover all Japanese nationals wherever resident. Our

¹ Non reproduct.

² Voir le document 1359.

³ Document 1337.

¹ Not printed.

² See Document 1359.