matter of foreign exchange." He said that in the near future the Japan Government would further liberalize imports into Japan. When asked as to when, he avoided the question and refused to give an answer. He stated that 300 machine manufacturers in Japan would have serious difficulties if sudden liberalization took place. At this point, members of the Mission took over and explained in detail problems affecting American machines and that it did not believe Japan was living up to its agreement in the free importation of machine tools with the exception of the three categories mentioned above.

It was explained to them that the U.S. Export-Import Bank had a new program for financing exports and that its terms were most liberal, allowing a period of 5 to 20 years at 6% per annum and that, under these conditions, MITI should approve the financial arrangements. However, MITI said this would still affect the Japanese foreign exchange problem in view of the fact it would have to pay the same in dollars eventually. This seemed most illogical and ridiculous to the members of the Mission since MITI is projecting its fears too far into the future and that, with this argument, it could at any time prevent importation of any machine tools desired.

A complete discussion was had concerning foreign investment in Japan, and MITI quickly remarked that licensing agreements were preferred. It was pointed out in positive terms to MITI officials that licensing agreements were not advantageous to American manufacturers and that it was doubtful MITI could hope to get any licensing agreements in the future from American firms. Japan's chief hope for more foreign investment lies in encouraging the use of American patents and know-how in Japan's manufacturing.

Mr. Hollengreen and Mr. Rudel made it quite clear to members of the MITI that, if it should continue its manner of creating hidden barriers and reluctance to reciprocate in foreign investments, it is quite probable that the United States Congress would take some action to set up the same restrictions on Japanese imports into the United States. In regard to foreign investments, it was explained to MITI that the United States welcomes foreign investments even to the extent of 100% and that MITI's fears of United States control of Japanese industry were groundless in view of the fact that the government of each respective country really controls the actions of private industry and that Japan would have the same control of private industry that the United States has. It was also pointed out that foreign investments add to the income and development of our country and that we welcome such foreign investments with new ideas and dollars to invest in our United States; that Japan should also realize the benefits which come with foreign investments.