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In his despatch of the 2nd December, Sir Robert Craigie urges that if the Government regard with misgiving the development of the Anti-Comintern Pact into an alliance, serious consideration should be given to the question whether something more should be done to arrest this threatening development by preventing Japanese acceptance of such an agreement. He suggests that on the one hand something could be done to explore more fully how the Japanese might be led back to a better understanding with Great Britain, and whether the price at present would be too heavy; on the other hand, whether something more could be done to hearten the Chinese Government. He apparently takes it for granted that the least that would be acceptable to the Japanese would be the abandonment of any further support and assistance to the present régime in China, and the recognition of the actual fact of Japan's military and economic predominance there.

The Foreign Office comment under date of 18th January is to doubt whether it would be worth paying a substantial price to dissuade Japan from entering into a formal alliance, and to suggest that any attempt to compromise with Japan would inevitably be construed as an abandonment of China's case, and would alienate the sympathy of the United States, weakening our chances of cooperation with them not only in the Far East but everywhere else. The aim must be active United Kingdom-U.S.A. cooperation wherever possible and therefore they must be careful to do nothing that might jeopardise United States collaboration with like-minded Governments in Europe.

It seems to me that so far as any possible action towards an understanding with Japan is concerned, the Foreign Office view is in every way correct. My only criticism would be whether it goes far enough. Looking back over a period of a year or eighteen months, one cannot help feeling that the change of public opinion in this country has been very surprising. One has only to compare the reaction to the

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President's "quarantine" speech at Chicago in the last quarter of 1937 with the very recent reaction to his reported remarks to the secret meeting of the Senate Military Affairs Committee to realise how far public opinion apparently has travelled. The cause of that change, however, lies not in the Far East, but in Europe, and that change has been comparatively rapid and largely a development of the last six months due, one may say, to the rapidly increasing fear that the two Dictators in Europe are not only threatening France and the British Empire, but the United States. Now although the change is seemingly rapid, I believe it could be arrested, though possibly only for a time, by any ill-advised step. The country is still isolationist. It wants to keep out of Europe and Europe's troubles; it is beginning to interest itself only because it is beginning to realise that the dangers extend far beyond Europe. But any suggestion that the Democracies in Western Europe were proving false to their faith, that they were ready to make a new deal with the Dictators, would, I believe, immediately arrest the growth of sympathy for them. I am sure that it has been the belief, steadily increasing over the last few weeks, that the Democracies are getting ready to stand up to the Dictatorships, and are making themselves strong enough to do so, that has helped to increase sympathy in the United States. But there still persists an underlying fear that the United Kingdom will force France to make concessions to Italy, and the very existence of this fear shows with what care we have to work.

Over the last few weeks I have noticed little interest in the Far East. Interest has been concentrated on Europe, Spain, and the increasing bad feeling between France and Italy. But this does not mean that it could not be swung back again to the Far East at short notice. There only needs to be some suggestion that we were ceasing

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to work parallel with the United States; that although the United States were doing what they could constitutionally to help the Chinese, we were not doing our share, for the flood of criticism to start. So it goes without saying that the merest suspicion that we were considering some arrangement with Japan would probably arouse such a storm of criticism as to cost us all sympathy in this country for months at least.

I believe that Walter Lippman's article today on the "Peace that can still be saved" expresses the views of a great many people in this country, and that in a real crisis the United States Government would proceed beyond protests and remonstrances. One such crisis would be, I think, that indicated by Walter Lippman - a threat by the Japanese Navy to Singapore. I believe that we can hope that in some not too far distant future the suggestion that such a threat might be made would call forth such a reaction in this country as to make it quite clear to the Japanese that the United States would not stand idly by and merely protest.

My conclusion is that if we are to encourage the present very hopeful growth of a real willingness in this country to cooperate with the Democracies, we must not run the slightest risk of arousing any suspicion that we are considering a deal with the Japanese. So further initiative in the Far East must be along the lines of giving more aid to the Chinese and that for each step the United States are prepared to take we should take one in step with them.

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The matter.

You will see that we are asked for our observations on their papers. I don't quite know what we are expected to say except to express concurrence with the N.Z. views. But we might emphasise that any attempt on our part to "buy" Nauru from this Single Mandate would inevitably arouse great criticism here & would through we Explanation our intentions to the Slave Open Conference perhaps even

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for their [illegible] of assent;

the effect on the general

American [illegible] would be

[illegible].

[illegible]

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