

Confidential.



AIDE MEMOIRE

Telegram from Li R. Craigie to Lord Halifax

*I showed this to Rejce. 15/27/39
W. Welles, but
did not leave a
copy as he already
had it from Tokyo
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*DPG tells W 59
570.
Feb 3.
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1. In your instructions to Mr. Mallet Your Lordship appears to refer to the protection of specific interests in China as the principal object of the counter measures. As pointed out in recent telegrams, however, I feel that the main issue is now far wider and far more important, since what is at stake is not only our commercial investment in China but the whole political and economic future of the countries with interests in the Pacific, to say nothing of the urgency of ensuring the observance of treaty obligations as a matter of principle. If what we are striving for is to uphold a principle and avert a future danger we are justified in taking greater risks in terms of the short-run disadvantage than if our aims were merely to preserve existing interests intact.

The question at issue seems to me to be the prevention of the complete establishment of a totalitarian power in East Asia with aims similar to those of Germany and Italy, which is already on the way to becoming a menace to all countries with interests in East Asia and the Pacific. By supplying Japan with all that she has needed in the past the British Empire and the United States have already gone far towards building up this menace and if they continue from now on to allow Japan to obtain what she wants they will soon have completed the process.



I therefore submit that we should emphasize these wider grounds for action because the Japanese think that though they might make a deal with us on a question of interest they cannot reach a compromise with the United States on a question of principle and would accordingly, if we took a stand on principle jointly with the United States, see no hope of driving a wedge between us.

2. If any change in the British and American attitude is to be effective it should be made quickly, and the most effective change would be to begin at once to reduce purchases of Japanese merchandise and gold. I and my advisers regard the present time as opportune for more resolute action. With the steady increase in Japan's imports from China and Manchukuo and the possible temporary easing of tension with Russia we cannot feel sure that in a few months the situation will not have become less favourable from our point of view. I have good reason to believe that the recent dampening down here of the fishery dispute with Soviet Russia is not unconnected with the firmer attitude of Great Britain and United States.

In (c) [of paragraph 3 in the Embassy's Aide Mémoire of January 25th] it is stated with regard to an embargo on Japan's export trade that no decisive effect could be expected for a considerable period; but this neglects the strong probability that anticipation by Japan of increasing pressure on her would cause her to moderate her policy long before pressure reached its maximum effect. This consideration applies/



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applies to any single form of pressure and a fortiori to virtually every form of pressure combination. I have never supposed that any single counter-measure would, before becoming fully operative, have an immediate disastrous effect on Japan's economy but I do consider that the application of a widespread embargo on Japan's exports would set in motion a process that would rapidly prove disastrous.

Point (d). The effect on Japanese shipping would be far greater than the effect of Japanese retaliation on British and United States shipping. We submit that while the refusal of facilities to Japanese shipping in all British and United States ports would be a serious disaster to Japanese shipping operations in most parts of the world and commensurate with Japanese world trade, retaliation in kind by Japan would affect the operation of British shipping only in Japanese-controlled waters.

Point (e). The participation of the countries indicated would prevent Japan from acquiring the necessary amounts of raw materials.

As regards (f) Canada is also concerned because of her metal exports to Japan. Without endangering her own economy and her Continental policy Japan is not now in a position to retaliate by making any further considerable reduction in her imports from British sources and in any case our object in stopping Japanese exports would be to prevent Japan from financing her essential imports.

Paragraph 9. An element of continuity is
of/



of course inseparable from any action of this kind but my considered opinion is that risk of war is slight if the matter is properly handled. Such risk as there is arises from possible irresponsible action by younger officers and reactionary elements rather than from any deliberate acts of the Japanese Government and then only if the matter is mishandled (e.g. by ill-timed publicity). The present Japanese policy is based on the assumption, to which they still hold, that in no circumstances will Great Britain and the United States be able to take joint or parallel action in this matter. If such action should be decided upon the problem will be to convince the Japanese Government without making an overt or public threat. Everything to my mind would depend on whether such conviction could be carried in time to the Japanese official - and particularly the military - mind. With the situation such as it is the saving of "face" is an all important factor. Subject to the above comments I entirely agree with Your Lordship's view that a policy of counter measures should not be embarked on unless we are prepared in the last resort to pursue it to the end.

BRITISH EMBASSY,
 WASHINGTON, D.C.,
 February 3rd 1939.